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39
WEEK AGO
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MACHINE ON YOUR FLOOR

Engineers who have spent their lives developing one machine to the highest efficiency—the Warner & Swasey Turret Lathe.

Designers who have created a machine whose power, speed, accuracy and ease of operation are in the basic design.

Field engineers whose job is to help you get the most from your machine every day of every year you use it—by aiding you with tooling set-ups, feeds and speeds—help for your operators.

Representatives who recommend your investment *only* when they are certain it will make you a profit.

Management that operates on the principle you must be satisfied with your Warner & Swasey purchase not only when it is new but always.

These are what you get in addition to the machine itself when you specify Warner & Swasey. They pay you dividends for years—in lower maintenance, maximum production at lower cost, greater precision in your product, and satisfied operators.

WARNER & SWASEY
Turret Lathes
Cleveland

You can turn it better, faster, for less..with a Warner & Swasey

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Todd service for any type of ship repair or conversion work, from the smallest harbor vessel to the largest liner, is known the world over.

WHEN a vessel takes "time out" and comes to us for attention, the able men who man our shipyards swing swiftly into action. Upon the work in hand they focus the expert knowledge they have gleaned through long experience. And to their aid they call the quick assistance of all the widely varied mechanical resources which TODD possesses in such ample measure. Sometimes the ship we service is a sleek, luxurious liner—sometimes a small but sturdy ocean tramp. » » » »

No matter what the task before us, our staff has one clear goal. We aim, at all times, to send each vessel speedily back to service seaworthy and sound . . . in such condition that we may take pride in what we have accomplished. » » » » » » »

ROBINS DRY DOCK AND REPAIR CO. . *Brooklyn*
TODD MOBILE DRY DOCKS INC. . . . . *Mobile*
TODD-JOHNSON DRY DOCKS INC. . *New Orleans*
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TODD COMBUSTION EQUIPMENT, INC. . *New York*
TODD OIL BURNERS, LTD. . . . . *London, Eng.*

Meet it

MICRON

A new "dag" colloidal graphite has been developed with graphite particles so small that even the largest (1 micron (0.00003937 of an inch) in size) can pass through an opening forty millionths of an inch in diameter. The one micron size is maximum and actually most of the particles are many times smaller.

Photo-micrograph showing the new "dag" colloidal graphite magnified 677 times. The uniformity of particle size and completeness of diffusion is apparent when compared with the two views below

The closest yet to an insoluble, pure graphite "in solution" this new form of "dag" can now be obtained suspended in such low viscosity liquids as kerosene and in such volatile fluids as carbon tetrachloride. It is many times more resistant to the precipitating action of acids and alkalis.

Photo-micrograph showing a competitive material. The same concentration and magnification as above was used. Variation of particle size and lack of uniform diffusion can be readily observed.

New possibilities in the fields of surface treatment and impregnation to effect lubrication, opacity, conductivity, etc., become quickly apparent. And because of the great flexibility in the number of carrier fluids, we can now actually build a product to your own specifications.

Photo-micrograph of a fine grade of lace powder, 677 times magnification. This gives an interesting comparison of particle size with the new "dag" colloidal graphite.

ACHESON COLLOIDS CORPORATION PORT HURON MICHIGAN

dag

THIS BUSINESS WEEK

Business Week's *cover picture was taken three and a half months ago in the German city of Munich—when Britain's Prime Minister and Italy's Duce met for the first time. This week they met again, in Rome, and the subject of conversation was indirectly the same—"peace in our time." More immediately, says Business Abroad (page 46), the meeting is likely to determine what's ahead for Spain, the probable outcome of the Italo-French colonial issue, and whether or not (probably not) Italy will get a much-needed British loan.*

Sec. Wallace's ideas for coping with crop surpluses by the plausible (but not so simple) expedient of boosting consumption are slowly maturing along lines less upsetting than his tentative "two-price" plan of last fall. "Cracker-Barrel" Food Plan, page 14, gives you the general idea.

Most business men must have found it hard to detect anything conservative in the President's annual budget message. Yet there was one moderate angle, as **Business Week's** economist points out on page 17.

The Constitution says "No state shall . . . lay any imposts or duties on imports or exports." But what is an "impost or duty?" The table on page 22 points out ten kinds of laws that have become especially common as interstate trade barriers in the last few years.

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A McGRAW-HILL PUBLICATION

Yes, he's DICTATING

. . . not saying: "Have you got that, Miss Smith?"

THAT'S the beauty of dictating to a Stenotypist—you can always be sure of accuracy, and of as much speed as your needs require. Both are assured by the *machine* recording of your words. Speed is in reserve—like that of your motor car. It's there when you need it. And accuracy (just as vitally important) is there, regardless of speed—for Stenotype notes never vary. Stenotypy, in fact, was originally invented by an ace reporter, Ward Stone Ireland, to bring dictators these two advantages—to do for shorthand what the typewriter did for longhand.

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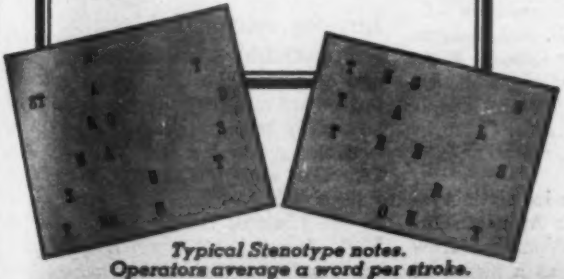

Typical Stenotype notes.
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● Are you contemplating plant re-location or expansion? Then you'll be offered lures — lures in the form of free buildings . . . free moving expenses . . . tax exemptions . . . and sweat shop labor. But remember—where there's bait there's usually a hook!

Farsighted manufacturers seek economic—not special inducements. And while New Jersey offers no special inducements at the expense of its existing industries, it does offer economic advantages, second to none. Fair taxes . . . unequalled transportation . . . labor that prizes the right to work . . . co-operative government . . . the nation's largest market. That's why in six months alone, 499 industries have located in New Jersey.

LOWER DISTRIBUTION COSTS

Within overnight delivery is concentrated 23% of the nation's wealth — a market of 20,000,000 consumers. To reach the markets of the world, New Jersey offers 14 railroads, 500 miles of deep sea waterways, 1700 miles of improved highways and 4 major airlines.

Learn more about New Jersey's economic advantages —write for your copy of the "New Industrial Digest of New Jersey". The New Jersey Council, Dept. B6, State House, Trenton, New Jersey.

NEW JERSEY

A GOOD PLACE TO WORK, TO LIVE . . . AND TO PLAY

NEW BUSINESS

No Dry Pumps

MOTORISTS WORRIED over future gasoline supplies are reassured by Hugh D. Miser, U. S. Geological Survey, who says that known petroleum reserves, plus oil shales, plus coal that can be converted into gasoline, will provide sufficient motor fuel for over 2,000 years. . . . Registered Rooms, Inc., New York, will coordinate and relay information on sleeping quarters for visitors to World's Fair. . . . Engineers solved problem of revolving 100 ton turntable carrying Ford Motor's exhibit at New York World's Fair by floating it in circular moat and operating it with small electric motor.

"Time Marches On"

SHORT MOVIE FEATURE "March of Time" will be promoted to full length film in productions starting early this year. . . . Massachusetts Federation of Taxpayers, Boston, begins radio program over six stations to rouse rent-payers, property owners and voters on dangers of growing taxation. . . . Marmon-Herrington Co., Indianapolis, gives its own all-wheel-drive Ford trucks and V-plows a boost in pointing out that highway snow-removal technique has shifted from waiting for the end of a snowfall and use of ponderous equipment, to starting with fast, light scrapers as soon as the fall begins. . . . The NRA eagle lies a-mouldering in the grave, but the Federal Trade Commission is doing its best to replace the old codes with trade practice conference agreements; last of the many agreements concluded last year was that of Dec. 31 for the baby chick industry.

For New Farm Markets

SQUAWKS BY FARMERS demanding greater share of industrial market resulted in federal appropriation for four regional laboratories to study factory uses for surplus crops. Department of Agriculture scientists have been appointed and laboratory locations announced. Assignments are: O. E. May to northern laboratory, Peoria, Ill.; D. F. J. Lynch, to southern laboratory, New Orleans; P. A. Wells to eastern laboratory, Philadelphia; T. L. Swanson to western laboratory, San Francisco Bay area.

Raised Roadways

WHILE NEW YORK razes its Sixth Avenue elevated railway, an American Institute of Steel Construction committee hails elevated highways as a means of getting in and out of congested cities (and upping the sales of steel). . . . Fight between the American Medical Association and New Dealers brings public relations to notice of the nation's M. D.'s; public relations bureau of New York State's Medical Society has begun furnishing editorial writers with material on socialized medicine.

They Take the Rap

THREE NEW YORK YOUTHS experiment with an "auto violations service"; leave their card in car which has been given ticket for illegal parking, take care of court appearance and fine for small fee. . . . Celebrating entry into its second half-century of existence, Hinde & Dauch Paper Co., Sandusky, O., passed its 600th month with a bow to BUSINESS WEEK's statement that "the average life of a corporation in the nation of corporations is about 66 months."

Detecting Death's Shadow

SCIENTISTS OF GENERAL ELECTRIC discover way to detect invisible poisonous fumes by causing them to cast shadows, through utilizing physical law that any vapor will absorb same color light it emits when excited. For example, mercury vapor casts a slight shadow when it absorbs blue and ultra-violet rays from a lamp. . . . In Los Angeles, ground has been broken for $2,000,000 store building for the May Co. which has department stores in Cleveland, Akron, St. Louis, Baltimore, Denver.

Awards of Merit

PERKIN MEDAL of the British Society of Dyers and Colourists, awarded only 10 times since 1908, will be presented on Jan. 19 to Dr. Henri Dreyfus, co-managing director of British Celanese, Ltd., for important discoveries "in connection with development of the cellulose acetate rayon industry in England." . . . Franklin T. Griffith, president, Portland (Ore.) Electric Power Co. is named "Portland's first citizen for 1938" by the city's Realty Board for "bringing about a program of co-operation between the federal power project at Bonneville and existing private enterprises," also for labor relations work.

Loyalty on the Job

EQUITABLE LIFE ASSURANCE SOCIETY designates annually a day when representatives are invited to demonstrate their loyalty by selling at least one insurance contract; on the last Loyalty Day, Dec. 13, sales were $81,532,338, largest in Equitable history. . . . Conference called by the National Lawyers Guild in New York discussed plan to aid lawyers without practice as well as low-income citizens needing legal advice by establishing "service bureaus" under organized lawyers' auspices where a limited amount of advice would be given for a small fixed fee; one suggestion was $2 for 15 minutes' consultation.

WASHINGTON BULLETIN

WASHINGTON (*Business Week Bureau*)—Of ships and guns, planes and munitions, and general training for preparedness, President Roosevelt will get all he wants from Congress. Capitol Hill is much impressed with the notion that the surest way to preserve peace is to be strong enough to discourage any thought of attack.

Peace—Or Principles?

DON'T THINK, however, because Congress goes along with the President in providing new arms, that it sees eye-to-eye with him on the purposes for which he implied they might be used in his "let's defend democracy" address at the opening session. To Congress, defense means defense—not a holy war. It will not, for example, agree to sanctions against aggressor nations.

A strong minority, headed by Sen. Pittman, chairman of the Foreign Relations Committee, is willing to go the limit in ostracizing Japan. Another group is willing to go the limit—short of war itself—in sending Germany to economic and diplomatic coventry, but these groups are only minorities.

Munitions Orders Sure

"KEEP OUT OF ENTANGLING ALLIANCES" is the slogan of the great majority, as it is of the country at large. Everybody wants to be sure that we're not maneuvered into a situation like that revolving around the submarine issue which precipitated our entrance into the last war.

What clinches the deal is the failure of the President to arouse in the Bible Belt as much moral support as he had hoped for "defense" of our ideals where they may be trampled in some foreign conflict.

However, if you're in line for munitions orders—anything from canned goods to cannon—you can figure them as "sure." For on most of the appropriations the President has asked, the difference in opinion about the uses of national defense will make no difference in the fact of rearmament.

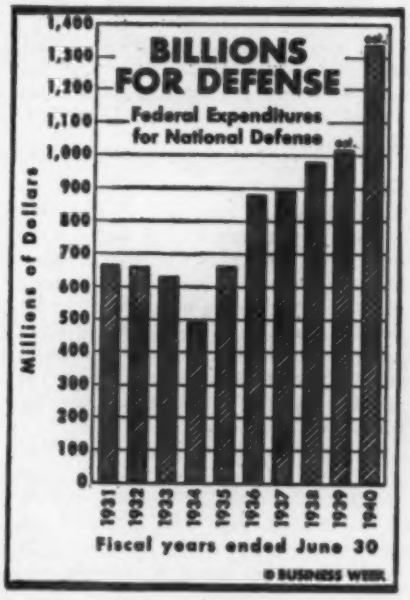
For Defense Only?

THE LINE will be roughly drawn by Congress between arms essential for an overseas attack by the United States on the one hand, and those which are essential purely for defense of U. S. soil on the other.

Actually, the generals and admirals will do pretty well even on the attack elements of the program by the simple expedient of showing how effectively they could be used in repelling Nazi invasion, for example, in South or Central America.

No Coalition Coming

DESPITE PRESIDENT ROOSEVELT'S persuasive oratory Jackson Day evening, you needn't expect any effective coalition movement. The Tweedledums in his own party are not going to move over to join the Tweedledees in the G. O. P. They are going to stick around, sure that they can nominate a Tweedledum for President in the Democratic convention, though they will call him a Progressive Democrat.



In the 1931 fiscal year the bill for national defense amounted to $667,000,000. By 1934, federal expenditures on war preparedness had dropped to $494,000,000. Since, they've gone up steadily—well past the billion mark—with the 1940 fiscal year scheduled to hit a peacetime peak at $1,326,000,000.

Your guess is as good as theirs as to who it will be. It's sufficient for the time to know that it will *not* be Hopkins or Ickes or Jackson. In fact, it will be someone—always provided the Tweedledum strategy pans out—whose selection will seem like a major catastrophe to the Cohens and Corcorans.

Big States Buck Roosevelt

REMEMBER, PRESIDENTIAL CANDIDATES are named by delegates. New York has the biggest bloc—94. They will be named, in part at least, by the same Tweedledums who stood by Farley and stopped the Jackson presidential boom before it even got started.

Pennsylvania has the second biggest bloc—72. Joe Guffey won a majority of them for Roosevelt in 1932. But Guffey lieutenants revolted last summer and beat Joe. His friend Gov. Earle was then slaughtered in the election. No one knows whether Tweedledums or New Dealers will pick the 72 next Spring.

Illinois has the third biggest delegation—58. Both the Kelly-Nash machine and Gov. Horner ignored Roosevelt's wish for Sen. Dieterich's renomination—and a "yes, but" Democrat now sits in Dieterich's chair.

Ohio has the fourth largest delegation—52. New Dealers beat the Tweedledums in the primary but lost to the Tweedledees in the election. Cleveland and Akron will elect New Deal delegates, but wait till you hear from the farmers along the beautiful Ohio!

Relief Total Uncertain

DON'T BE TOO SURE that Congress will force a cut in the President's demand of $875,000,000 for WPA. Administration leaders hope big-city pressure will force maintenance of the full proposed appropriation which itself anticipates a cut of 300,000 in relief rolls by June. That projected schedule would call for 3,000,000 in January, February, and March; 2,900,000 in April; 2,800,000 in May; 2,700,000 in June.

Any greater rise in private employment than is discounted by these figures would presumably be reflected in deeper cuts, giving WPA some "working capital" with which to carry over into the new fiscal year July 1.

Where WPA Money Will Go

THERE'S ONE MAN in the Senate that Harry Hopkins looks up to as a big brother—Sen. Jimmy Byrnes of South Carolina. With Harry's help Byrnes is devising a state-by-state formula for distribution of relief billions. The resulting compromise will stay the rough handling of the WPA cash register which the Garner contingent has threatened.

Never fear that relief funds will be turned over to the states, with no strings attached. If it ever came down to that issue, no Democrats, either pro- or anti-New Deal, would overlook the fact that there are now 15 Republican governors in doubtful political territory.

No Textile Wage Jump

TEXTILE MANUFACTURERS won't have to worry about paying increased minimum wages for a long time. The recommenda-

★ ★ ★

GROUP INSURANCE BUILDS BETTER MORALE

Without obligation, salaried experts of the Aetna Group Division will gladly explain all forms of employee insurance and how they can be fitted to your requirements.

Aetna group insurance is available for all coverages: Life—Pensions—Sickness—Accident—Hospitalization.

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Who's who IN SOUTHERN CALIFORNIA INDUSTRY

AMERICAN CAN

Established in 1916, the Los Angeles branch of the American Can Co. has since been enlarged three times. It now ranks second in production among the company's fifty-five branch plants, and is one of the few fully equipped to manufacture cans for any industrial purpose. This steady growth has been aided by the diversity of industry and agriculture in this area, and an abundant supply of low-cost electric power for manufacturing processes.

Write for free map giving names and locations of important industries in this area.

SOUTHERN CALIFORNIA EDISON COMPANY LTD.

601 W. FIFTH STREET LOS ANGELES, CALIF.

tion of the industry's wage-hour committee will apparently be tied up indefinitely.

The Southern contingent is flatly opposed to any increase in the present statutory 25¢ rate. Then, too, the question whether there should be any differentials, either geographical or by worker classification, is still wide open. Finally, the decision of the committee to include wool will also cause delay. Originally this question was reserved for later consideration, but the committee ran into so much overlapping between wool and other fabrics that inclusion now is regarded as necessary.

Job Changes Impend

LIBERAL USE OF SALT is usually advisable in considering those persistent rumors of turnovers in important posts. But, quite apart from the tendency of New Dealers to jump around from one job to another, you can't ignore the political necessity of finding jobs for lame duck Congressmen.

Reports that Douglas will leave the Securities and Exchange Commission to head up Yale's Law School and that Jerome Frank may land a seat on the District of Columbia Court of Appeals are considered credible. In appraising these reports, keep in mind the fact that the President is vitally interested in infusing the judiciary with new blood and impressed with the desirability of maintaining an "incubator" at the big law schools.

Not so well-founded is the report that A. A. Berle will be shifted from the State Department to the SEC. Berle had resigned shortly before the Czech crisis, but he remained to help Roosevelt play his hand in the "peace of Munich" and the Lima conference.

Angling for Treasury Post

A DOGFIGHT for the late Herman Oliphant's job as the Treasury's general counsel is already on. It's a juicy spot, made to order for lame ducks. It's not important except as the incumbent makes it important.

Oliphant's star rose with the President's espousal of his undistributed earnings tax theory, fell with its practical repudiation by Congress. In the new complexion of relations between the White House and Congress, his successor is not likely to play a star rôle.

For Expanding Exports

DON'T WRITE OFF the Temporary National Economic Committee as all to the bad for business. Exporters may get a break as a result of TNEC's decision to explore what the chances are for greater utilization of the Webb-Pomerene act. Operations under this law, suspending application of the anti-trust laws to exporters combining for the purpose of exploiting foreign markets, have never flourished heretofore.

Error in the Budget

TREASURY ADDING MACHINES ticked off $8,000,000 too much in preparing the statistics for the President's annual budget message to Congress. In the tabulation showing the federal outlays for durable and recoverable assets, the year-by-year amounts for "direct public works" should add up to $4,005,000,000, but the final tally is recorded in the table at $4,013,000,000. The error persists into the grand total, which is given at $16,431,000,000 instead of $16,423,000,000. In presenting the table on page 16, BUSINESS WEEK has corrected the Treasury's addition.

The Bureau of Foreign and Domestic Commerce now is canvassing the export associations to learn what their policies and problems are and what can be done about them. Its findings will be reported to the TNEC, although data on the operations of individual associations will be held confidential.

Protecting Tax-Exempts

THAT AMBITIOUS DRIVE to levy on tax-exempt government securities—as well as tax-exempt government salaries—has bogged down a bit. Hearings are scheduled to open Jan. 17, but the committee chairman, Sen. Brown of Michigan, is suddenly less than lukewarm to the President's proposal of last session.

You can explain it any way you like, but don't overlook the fact that Detroit, his chief constituent, still has outstanding a big lump of high coupon bonds. By refunding it has already chalked up a saving of $500,000 in interest and if the bond market holds will be able to double that figure. Removal of tax exemption probably would take away the advantage of a refunding operation.

Other cities are in the same boat but will probably sit tight till they see how the tax-exemption proposal is going.

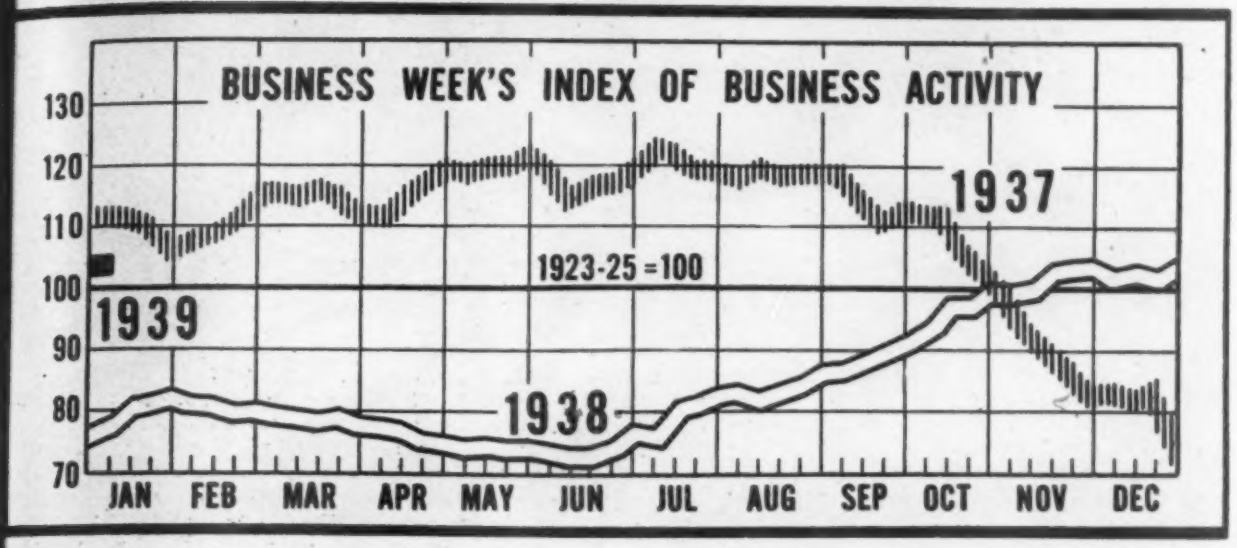
No Tax Cut on Profit-Sharing

YOU NEEDN'T FIGURE on getting a cut in your tax bill by establishing a profit-sharing plan. Incentive tax exemption for such purposes will not be advocated by the Vandenberg committee. Its report will simply seek to foster the spread of profit-sharing plans as a means of promoting the mutual interest of employers and employees.

The idea is to show to employees in concrete form what makes for profits after the wage bill is paid, stress the cash virtues of operations undisturbed by labor disputes.

Tax exemption for plant improvements and extensions will be given a whirl but will flop.

THE FIGURES OF THE WEEK



	§Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX	*105.7	†105.0	103.8	77.4	79.2
PRODUCTION					
★Steel Ingot Operations (% of capacity)	51.7	50.7	57.6	32.3	27.8
★Automobile Production	76,585	75,215	100,705	25,375	54,084
★Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands)	$3,603	$3,786	$4,097	$3,182	$1,772
★Engineering Construction Awards (*Eng. News-Rec.* 4-week daily av. in thousands)	$16,038	$13,332	$10,570	$10,084	$8,252
★Electric Power Output (million kilowatt-hours)	2,169	2,121	2,319	1,881	2,140
Crude Oil (daily average, 1,000 bbls.)	3,215	†3,204	3,245	3,296	3,437
Bituminous Coal (daily average, 1,000 tons)	1,574	†1,400	1,436	893	1,199
TRADE					
★Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	63	62	68	63	55
★All Other Carloadings (daily average, 1,000 cars)	42	38	40	35	33
Check Payments (outside N. Y. City, millions)	$5,153	$3,937	$4,380	$4,059	$5,131
Money in Circulation (Wednesday series, millions)	$6,830	$6,912	$6,844	$6,514	$6,510
Department Store Sales (change from same week of preceding year)	+2%	+13%	—2%	—10%	——
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931=100)	143.7	143.7	139.8	146.3	151.8
Iron and Steel Composite (*Steel*, ton)	$36.36	$36.36	$36.36	$36.33	$38.93
Scrap Steel Composite (*Iron Age*, ton)	$14.92	$14.92	$14.92	$13.08	$14.00
Copper (electrolytic, Connecticut Valley, lb.)	11.250¢	11.250¢	11.250¢	9.750¢	10.804¢
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.72	$0.71	$0.67	$0.69	$0.98
Sugar (raw, delivered New York, lb.)	2.78¢	2.84¢	2.85¢	2.75¢	3.24¢
Cotton (middling, New York, lb.)	8.84¢	8.90¢	8.63¢	8.92¢	8.64¢
Wool Tops (New York, lb.)	$0.850	$0.848	$0.813	$0.803	$0.850
Rubber (ribbed smoked sheets, New York, lb.)	16.13¢	16.35¢	16.10¢	15.06¢	14.58¢
FINANCE					
Yield—Corporate Bonds (Standard Statistics, 45 issues)	5.73%	5.72%	5.84%	6.13%	5.89%
Yield—U. S. Bonds (average of all issues due or callable after 12 years)	2.45%	2.45%	2.48%	2.53%	2.67%
Yield—U. S. Treasury 3-to-5 year Notes	0.68%	0.66%	0.65%	0.69%	1.18%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate)	¾%	¾%	¾%	¾%	1.00%
Business Failures (Dun & Bradstreet, number)	254	236	221	193	281
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks	15,888	15,966	16,114	14,901	14,219
Total Loans and Investments, reporting member banks	21,536	21,640	21,450	20,476	21,349
Commercial and Agricultural Loans, reporting member banks	3,827	3,843	3,881	3,880	4,517
Securities Loans, reporting member banks	1,443	1,405	1,409	1,238	1,488
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	9,921	9,998	9,772	9,226	9,181
Other Securities Held, reporting member banks	3,193	3,221	3,218	2,998	2,642
Excess Reserves, all member banks (Wednesday series)	3,300	3,070	3,440	2,985	1,267
Total Federal Reserve Credit Outstanding (Wednesday series)	2,604	2,610	2,591	2,603	2,603
STOCK MARKET (Average for the week)					
80 Industrials, Price Index (Standard Statistics)	128.6	129.8	124.3	117.5	113.9
20 Railroads, Price Index (Standard Statistics)	32.6	34.1	29.6	28.7	32.7
20 Utilities, Price Index (Standard Statistics)	68.4	65.8	61.8	63.1	61.7
90 Stocks, Price Index (Standard Statistics)	102.2	104.5	99.3	94.5	92.7
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares)	1,970	†1,909	1,085	1,886	1,378

★Factor in *Business Week Index*. •Preliminary, week ended January 7. †Revised. §Date for "Latest Week" on each series on request.

THE STAGE DRIVER HAD TO HANDLE IT ALL ALONE

The stage driver guided his coach with his own hands; depended on his own strength to slow down or stop, and on his own eyes to warn him of danger ahead. But men holding the reins in industry today must also use the faculties of others. They often profit by the experience and impartiality of outside consultants.

The firm, SANDERSON & PORTER, is a partnership established more than 40 years. Its organization includes individuals of widely varied experience whose composite advice and service are available to clients. Arrangements to have a SANDERSON & PORTER representative call to discuss your problems may be made, without obligation, through any of the firm's offices.

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BUSINESS WEEK

January 14, 1939

THE BUSINESS OUTLOOK

Although weekly index of business activity jumps to a new high, a moderate recession is still likely for next two months. Roosevelt's budget statement continues to affect markets.

A WEEK AFTER the President's budget statement the markets still felt it as a disappointment. Momentary hopes had been aroused by the more conciliatory tone of the message to Congress on "the state of the Union," but these were dispelled by the vigorous defense of government spending and the application of this doctrine next day in the form of another $8,000,000,000 deficit. Perhaps heavy spending will continue to have stimulating effects on business while it lasts, but the day must be approaching when these will wear off and it will require either an intensification in the rate of spending or a complete reversal of policy to keep industry going. This budget again postponed the reversal of policy, doubtless until a new Administration takes office.

More War Scares

This week another statement from Washington had a depressing influence —the apparently well-substantiated report that the ambassadors to France and England had reported war in Europe to be a possibility, or even a probability, in 1939. If such views are confirmed by events, the effect on the progress of American recovery can be foreseen by any one who remembers the repercussions of the September war scare on this country. A realistic analysis of the factors in Europe cannot escape the conclusion that important disturbing events and war scares will recur this year, but actual war must still be labeled only a possibility. As for the fascist countries, they would be risking their big peacefully attained gains; as for the democracies, they are admittedly unprepared and are not likely to be faced in 1939 with a better fighting issue than that of last September. The outlook, then, is for war scares, not war.

Index Hits New High

Meanwhile the weekly index of business activity, led by a spurt in the series for heavy engineering contracts, has jumped to a new high, fractionally above that of last November. This type of movement is in line with the forecast for the first half of 1939—that a new post-1937 peak will be reached in the index as a result of the public works program. The expectation, however, has been that before this occurs a delayed seasonal recession in steel, automobiles, and textiles would result in a temporary and moderate recession, lasting perhaps until early March. This immediate forecast is still maintained.

In the Outlook

Wide World

A month ago H. W. Prentis, Jr., President of Armstrong Cork Co., told the National Association of Manufacturers that "industrial enterprises . . . have placed high on their programs the study of ways and means to cushion the effect on individual employees . . . of swings in the business cycle." This week Mr. Prentis made good his statement by announcing that Armstrong Cork will be one of those companies to experiment with a guaranteed annual income for wage earners in 1939.

Larger Gold Stock

One of the big question marks of 1939 is the extent to which the great increase in bank reserves which occurred during 1938 will affect either business activity or prices. During the past year the nation's monetary gold stock, mainly as a result of imports but partly due to domestic mining, increased from its all-time high of $12,760,000,000 to a new all-time high of $14,511,000,000. Corresponding to this $1,751,000,000 increase there was a $1,748,000,000 increase in the reserves of member banks of the Federal Reserve System, between the first reporting date in 1938 and the first in 1939. A few offsetting items canceled out; on the whole the gold imports were transformed into bank reserves.

Increased Bank Reserves

The prospect for the next two months is for a continued increase in reserves. In the first place, the steady inflow of gold is likely to continue, perhaps at the average 1938 rate of $150,000,000 monthly. In the second place, possibly another $100,000,000 in currency is due to return to the banks from circulation. Finally, the federal deficit for the next two months will probably run in the neighborhood of $750,000,000. Part of this deficit will doubtless be financed by Treasury checks on its balances at the member banks rather than on its ordinary bank balance, which is at the Federal Reserve banks. Money paid out from the Federal Reserve balance, when redeposited by recipients of Treasury checks, increases member bank reserves, whereas money drawn from the member

banks and then redeposited of course does not do so. If half of the deficit is financed each way, the total addition to reserves before the March 15 financing and income tax date might be $300,000,000 in gold, $100,000,000 in currency, and $375,000,000 in government checks. Part of this increase will have to be held in reserve against the new deposits resulting from the same transactions; the rest will go into excess reserves. As a rough guess, therefore, excess reserves may rise from their present $3,300,000,000 to a March peak of $4,000,000,000.

Little Effect on Prices

What effect will this further expansion of the already gigantic credit base have on the economy? Easy money will be maintained, and with it the level of bond prices. But the effects on business and prices may be wearing thin, for astronomical figures merely daze rather than inspire or frighten. While this credit base will very likely prove useful as a support to expanding business activity, and while it may some day result in the upward explosion of prices that has been feared for so many years, the possibility must be kept in mind that its influence on business after this spring may be like that of the mountain which brought forth the mouse.

"Cracker-Barrel" Food Plan

Substitute for Wallace two-price scheme, unveiled next week, entails smaller distributor margins, cheaper merchandising, with subsidy threat in background.

A WEEK HENCE when the National Canners Association, the National Food Brokers Association, the National-American Wholesale Grocers Association, and a dozen smaller food industry groups meet in Chicago in what—collectively—is America's biggest trade convention, Jesse W. Tapp, hard-working director of the Federal Surplus Commodities Corp., will have a job on his hands. Essentially, that job will be to persuade 20,000 hard-headed food processors and distributors to join forces in a cooperative cost-cutting campaign that will yield drastically reduced prices on a good many of life's necessities.

Profit Lure—and a Threat

To the inevitable question, "What's in it for me?" Mr. Tapp can plead the appealing theory that increased turnover even with a lower margin will mean added profits—all the old arguments in favor of mass volume at a low unit markup as against a longer profit on a restricted volume of sales.

But Mr. Tapp won't have to rely exclusively on his engaging personality or the logic of his argument to sell his bill of goods; he can hint at a revival of Sec. Wallace's "two-price plan" (*BW—Oct29'38,p17*). That delicate threat of subsidizing the distribution of goods to the "lower third" out of processing taxes on regular lines sold to the other two-thirds will probably do more than anything else to insure that convention resolutions in favor of the Tapp plan will be supported by a genuine desire "to do something about it."

And the Administration is definitely determined to do something about it—something to increase the consumption of farm products. Increasing the income of farmers is only half of the objective of such a program—although the most persuasive half. Improvement of the diet and health of low-income consumers, now unable to buy enough of the right kind of foods, is the other half. Some idea of how ambitious a goal has been set for Mr. Tapp can be gained from the fact that AAA economists say there are 6,000,000 families that should eat and wear twice as much of America's farm produce as they do now.

Approaches to Price Problem

There are only three methods by which any significant price reduction can be achieved. The first and most important is by the voluntary agreement of packers, processors, railroads, truckers, distributors, and dealers to take a smaller cut. Considerable pressure will be applied all along the line to achieve this objective, and as proof that it is not too bad medicine, FSCC can point to the many campaigns which it has staged in the past few years to move various surpluses with the profitable participation first of the chains and then of the independent retailers (*BW—Mar5'38,p31*). The current campaign to dispose of record crops of oranges and grapefruit is a prize case in point. In November, retail organizations agreed to a maximum markup of 25% on cost, and reductions were effected in brokerage, receiving agents' margins, auction charges, and wholesale and jobber margins. The railroads refused to cooperate on the argu-

25,000th Coast-to-Coast Flight Sets Record

United Air Lines claimed a world's long distance airline record this week when it completed its 25,000th coast-to-coast flight for a total of 66 million air miles. Above is the single-engined two-passenger mail plane that required 33 hours to make the first commercially scheduled coast-to-coast flight in 1927. Below, the twin-engined Douglas that made the 25,000th crossing this Thursday, carrying 14 passengers and a ton of mail and express cargo from California to New York in 16 hours.

International

Sec. Henry Wallace and Sen. Ellison D. (Cotton Ed) Smith, chairman of the Senate agriculture committee, exchange views on the farm problem—in a special debate for the benefit of photographers.

ment that the emergency was altogether too much of a continuing proposition, but when the big campaign gets launched the carriers are not unlikely to feel the screws too.

The second approach to the problem of cost-cutting involves the development of new and more economical techniques of distribution. Some of the eager-eyed evangels in the Department of Agriculture eye suspiciously the present system of high-pressure merchandising with its fancy packaging jobs, its broadside advertising, and its ritzy store layouts. They think that maybe Thurman Arnold had something when he struck out at advertising a few months back, that it would be better for the distributor as well as the consumer if the cost accountant rather than the copywriter were to sharpen his pencil. These exponents of the cracker-barrel method of distribution hope to get away from expensive sales units and build volume by establishing public markets, by selling ungraded fresh fruits and vegetables in bulk, and by developing cheap containers and packages.

Then, There's Subsidy Idea

The third approach is by means of a domestic subsidy to producers—an essential part of the original Wallace two-price plan which has been been snowed under but not completely buried by the protests of retailers and distributors. The subsidy operations of FSCC are already pretty well geared up, though it is hoped that they will not have to be materially extended to make the new program click—as Wallace is determined that it shall. But the big stick is always there. In the last fiscal year, FSCC bought up $50,000,000 of surplus crops to aid both producers and consumers. So far this year it has spent $26,000,000, and the probability is that before the year ends it will get up to around $70,000,000. It is the earnest desire of retailers to keep that total down which will assure Director Tapp an attentive audience at the Chicago conventions.

One encouraging aspect of present plans for the lower-price drive is that the government does not intend to attempt to dictate just who shall get the advantage of the lower prices. In other words, there will be nothing analogous to the New York City method of distributing milk at relief prices to the deserving poor. The cheaper goods will be allowed to find their own markets—with perhaps a little judicious steering—and as a result, a good many of the upper two-thirds will benefit. Departmental researchers realize that they would be blasted out of water if they proposed to set up arbitrary standards on the basis of social research case work at various income levels.

The scheme will not be tied to AAA's marketing-agreement setup, though this may of course be utilized where it already exists, as in milk to move gallonage at a price in between that for fluid milk and other classes for manufacturing purposes.

No Cure for Staple Surpluses

It is significant that the plan is pretty much confined to foods for which there is a flexible demand, and it won't seriously touch surpluses of wheat, cotton and other staple crops. Our per capita wheat consumption of 150 lbs. is already somewhat in excess of what an ideally balanced diet would require. Hence, the possibility of increasing wheat consumption by any forced-draft method of selling is doomed to failure. As for cotton, there is the ever-present possibility of increasing its industrial uses and of making more "give-away" mattresses, but processing costs bulk so large in the fabrication of shirts and dresses and sheets—from 5 to 20 times the cost of the cotton—that distribution costs savings would not bulk large. However, should the Administrative drive to whittle costs and prices succeed, it is conceivable that some of the unneeded acreage which is at present devoted to staples would be switched to the raising of those fruits, vegetables, and meats for which a vast, unfilled demand exists—at the proper price.

Distillers in the Soup

Companies that tried to save taxes by promoting a special township to head off annexation to Louisville, Ky., wish they hadn't.

A GROUP OF IMPORTANT DISTILLERS finds itself in the soup through the backfiring of an elaborate plan designed to block possible annexation by the city of Louisville and the consequent upshove of their taxes. Executives of the companies are inclined to grin ruefully and admit that in this undertaking they outsmarted themselves. Their difficulties revolve about the question of extended city limits which, with the approach of the 1940 census, becomes a matter of grave importance to many plants that are located in tax-free areas "just over the line" near big towns.

Seek Strategic Location

The Louisville rumpus involves some $20,000,000 worth of distilleries and warehouses belonging to Seagrams, National Distillers, Dant & Dant, Brown-Forman, Old Kentucky, Frankfort, Taylor & Williams, Glencoe. All are located just south of the city limits, hence pay no city taxes. City sewage and fire protection was furnished on contracts with the companies.

With the approach of the 1940 census, management of some of the distillers feared that Louisville, eager for a big population score, might reach out and take in the area containing their plants. The consequence would be a higher property tax and a higher tax on storage whisky. In the case of National Distillers alone the additional cost of city taxes would amount to the considerable sum of $22,000 annually.

To head off the danger a deep plan was concocted. In the last legislature an inconspicuous statesman quietly obtained passage of an act preventing a first-class city from annexing a neighboring township unless it was approved by a majority vote of the township's citizens.

This innocent-looking law made it extremely difficult for a big town to gobble a small one against strongly organized opposition. Early last summer a group of citizens, cooperating with distillery interests, incorporated the township of Shively. Its zigzag limits seemed curious until one noticed that the lines were drawn in such a way as to include the liquor plants.

Plan Starts to Backfire

Things began popping when the significance of Shively was realized. On Aug. 30 Mayor Scholtz of Louisville notified the distilling companies that they would have to pay $1.50 on each $100 worth of whisky stored in Shively for using the city sewer and fire service.

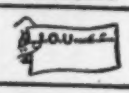
TEN YEARS OF DEFICITS = $27,279,000,000

And What We've Got to Show for It

In millions of dollars

Says President Roosevelt: *"We have not been throwing the taxpayers' money out of the window or into the sea. We have been buying real values with it."* Well, here are the values—measure them for yourself:

Fiscal years ended June 30

		Actual								Estimated		Total
		1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	
Direct Public Works		247	289	294	338	400	436	478	453	605	465	4,005
Loans & Investments		263	873	181	881	423	69	115	72	234	123	3,234
Public Roads		174	210	178	268	317	244	351	237	232	213	2,424
Civilian Conservation Corps				9	332	436	486	386	326	290	285	2,550
WPA Construction							406	595	464	734	488	2,687
Public Works Grants					19	49	234	273	190	392	366	1,523
Total "Real Values"		684	1,372	662	1,838	1,625	1,875	2,198	1,742	2,487	1,940	16,423
Net Federal Deficit (white section=percent of deficit expenditures represented by tangible values)		142.2%* 481	54.3% 2,529	27.1% 1,784	69.5% 2,895	50.6% 3,210	41.3% 4,550	69.8% 3,148	125.9%* 1,384	62.6% 3,972	58.2% 3,326	60.1% 27,279
Non-Recoverable		*	1,157	1,122	1,057	1,585	2,675	950	*	1,485	1,386	10,856*

* In 1931 and 1938 the "Real Values" exceeded the net deficit by $203,000,000 and $358,000,000 respectively.

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Otherwise, said the mayor, the sewer would be blocked and fire protection withdrawn. Being a reasonable man, he suspended the penalty and continued the terms of the original contract while city officials went into a series of huddles with the distillers.

These negotiations were disagreeably interrupted by sounds as of revolt in Shively. Its trustees were supposed to be in on the distillers' strategy, but that did not prevent them from exercising their privileges as heads of a new-born and ambitious political unit. Following a meeting of Shively's head men, the distillers were flabbergasted to learn that $400,000 would be required by the township to buy fire-fighting equipment, supply police and what have you. Since Shively consists mostly of farm lands and you can't get taxes out of pigs and chickens, the distillers realized they were expected to foot the bill. Moreover, Louisville still controlled the vital sewer situation.

Some Would Hail Annexation

No wonder the solid phalanx of distillers is beginning to crack. When Shively was incorporated, National Distillers and Brown-Forman reserved the right to stay out of its boundaries. They have indicated that they are not coming in, and Shively regretfully assents. The defection adds to the weight the others must tote. Some executives would now welcome annexation by Louisville. It would mean an additional tax of $1.25 (per $100 of stored whisky), as compared with Shively's additional tax of 75¢. But the companies can estimate Louisville's demands, while the possible appetite of Shively defies estimation.

Federal Budget Left to Fate

Roosevelt outlines no definite plan for balancing it. His estimates seem to exaggerate the deficit. Congress hostile to new taxes.

Business men and Congressmen this week pondered an unusual state paper—the President's annual budget message to Congress. It was at once conservative and liberal, and at all times debonair. In estimating receipts, Mr. Roosevelt was ultra-cautious; in estimating future expenditures, Mr. Roosevelt moved over to the extravagant side of the ledger. But throughout it all, he was of good cheer—firm of faith that sometime, somehow, the budget would balance itself.

If, says Mr. Roosevelt, the national income should soar to 90 billion dollars—the highest level in American history and 12% higher than 1929—then such a boom would float the Treasury (see table, page 18). But the President outlines no specific program for fattening out the national income to a $90,000,000,000 girth; nor does he lay down on the line a specific plan either for increasing taxes or decreasing expenditures. That's left to fate—and Congress.

Recoil at Rise in Expenses

There is a veiled suggestion of new taxes—to raise $210,000,000 to cover the cost of a special armament appropriation for 1940, and $212,000,000 for the farm parity program. But Congress may never get around to the tough job of finding new sources of revenues for this $422,000,000. As the budgeted expenditures are mounting to record peacetime totals of around nine billions a year, $422,000,000—this way or that—is not apt to disturb the legislators.

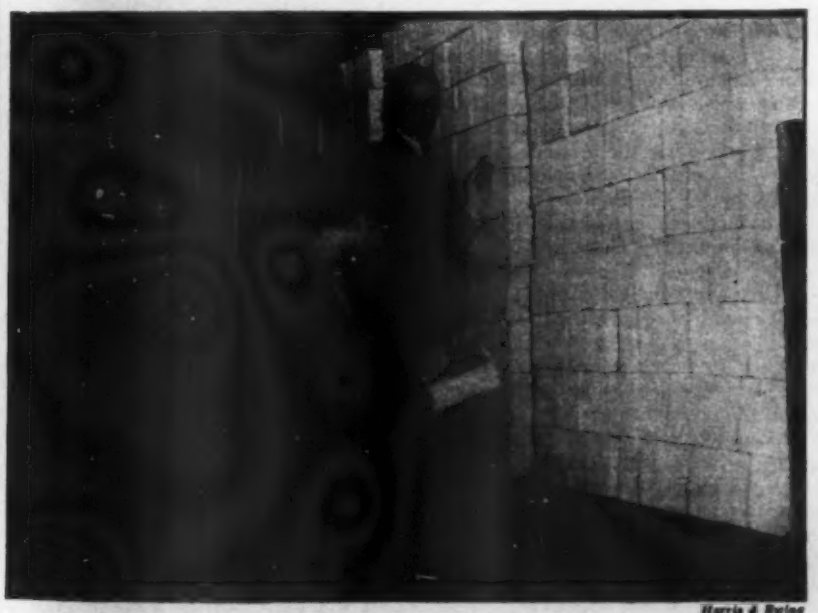
Indeed, if preliminary Congressional rumblings are indicative, new taxes will be few and far between. Instead, Congressmen are apt to seek ways to reduce expenditures. Already the Presidential suggestion of $875,000,000 more to finish the Works Progress Administration relief job for the rest of this fiscal year is being picked apart. Congress seems to be economy-minded, wants to cut the figure down anywhere from $100,000,000 to $250,000,000. Congressmen, apparently, are leery of the continuing rise in government expenses.

A year ago, the President was talking in terms of a federal spending level of seven billions. Now, for the 1939 fiscal year, he puffs up expenses to $9,492,000,000 (exclusive of debt retirement), and in the 1940 fiscal year, there is only a moderate decline to $8,995,000,000. Thus, from a seven billion level, the budget has climbed to nine billions. And despite a rise in revenues from a three billion dollar level in 1934 to six billions today, the deficits are still around three and four billions—or, to be specific, $3,972,000,000 for the current fiscal year, and $3,326,000,000 in the fiscal year ending June 30, 1940.

A Big Check-Writing Order

It is probable, however, that the estimates exaggerated the deficit. In order to go into the red by four billions in the 1939 fiscal year, the Administration would have to spend five billions during the current six months—a big assignment even for the government's high-geared check-writers. In the first half of the fiscal year—from July 1 through Dec. 31—the Administration succeeded in spending only four and a half billions. And now, with Congress getting ready to put checks and balances on the spenders, the prospects of exceeding that sum are not especially bright.

On the revenue side, the President also seems to have emphasized the worst. This he accomplished by minimizing receipts. It is probable that his estimate of $5,520,000,000 for the current fiscal year is not unduly conservative, but the rise to only $5,669,000,000 in the 1940 fiscal year seems scant—either that, or Treasury statisticians are not optimistic



Harris & Ewing

Busiest spot in Washington is the Bureau of Internal Revenue, from where the 60,000,000 income tax blanks will be mailed. Here the blanks are checked as they go into the mailing room.

Bogey for a Balanced Budget

NOT UNTIL the national income rises to between $85,000,000,000 and $90,000,000,000 a year can the United States hope to have a balanced budget. That seems clearly indicated in the President's budget message to Congress. Mr. Roosevelt submitted no plan to curtail expenditures—specifically.

Without further increases in taxation, a 20% to 30% rise in the national income would be necessary to produce revenues sufficient to encompass expenditures of $9,492,000,000 and $8,995,000,000 in the 1939 and 1940 fiscal years. Mr. Roosevelt submitted a bogey on what revenues would amount to assuming various levels of national income. The President says, in effect, that "if national income equals $90,000,000,000, then revenues will equal $10,800,000,000," and then presumably the federal budget will be balanced.

How the President figures it all out is shown in the table below; and for purposes of comparison, BUSINESS WEEK has worked out estimates of revenues derived from business in recent calendar years (see note). This comparison would seem to indicate that the Treasury estimates of future revenues are conservative—inasmuch as in 1937, the national income was nearly $70,000,000,000 and BUSINESS WEEK estimates receipts at $6,364,000,000. Yet the Treasury figures that on a $70,000,000,000 income receipts would amount to only $6,000,000,000.

(In millions of dollars—000,000 omitted)

	Business Week's Estimates of Past Taxes					*Treasury Estimates of Potential Taxes*		
Calendar Year	*1933*	*1934*	*1935*	*1936*	*1937*			
National Income	*$42,256*	*$50,052*	*$55,186*	*$63,466*	*$69,817*	*$70,000*	*$80,000*	*$90,000*
Income Taxes*	$897	$1,246	$1,574	$2,556	$2,661	$2,500	$3,900	$5,700
Miscellaneous Internal Revenue	1,208	1,579	1,777	2,168	2,317	2,200	2,600	3,100
Customs	287	307	364	414	483	400	500	700
Miscellaneous Receipts	296	687	483	213	305	200	200	200
Payroll Taxes	.....	.....	.....	.....	598	700	800	900
Total Federal Revenues	$2,688	$3,819	$4,198	$5,351	$6,364	$6,000	$8,000	$10,600

*For year in which income was earned (see note).

NOTE: The above table is designed to show federal revenues based on national income for given calendar years, and was obtained as follows: BUSINESS WEEK included miscellaneous internal revenue, customs, miscellaneous receipts, and payroll taxes in the calendar years as reported by the Treasury in its daily statements—on the theory that such taxes are paid almost immediately after the conclusion of the transactions on which they are based. Income taxes, however, are paid from three to fifteen months after the end of the business year in which the income is earned. Therefore, BUSINESS WEEK, using the daily Treasury statements, estimated the personal and corporate income taxes applicable to the year in which the incomes were earned—not the year in which the taxes were paid. In effect then, the income taxes which BUSINESS WEEK has assigned to the year 1937, for instance, were received by the Treasury approximately a year after they were earned, and would therefore show up in Treasury statements for the fiscal years 1938 and 1939.

Business Week

about the outlook for business during the current calendar year.

For the 1940 fiscal year, the Treasury will be collecting the first two instalments on corporate and personal income taxes based on 1939 earnings. Those taxes should be fairly bulky, and ought to more than offset the low Sept. 15 and Dec. 15 collections this year, which are based on the comparatively subdued earnings of 1938. Furthermore, taxes other than income taxes in the 1940 fiscal year will be based on business operations during the months from July 1, 1939, through June 30, 1940, which on the basis of recent forecasts ought to be moderately satisfactory—certainly well ahead of 1938.

Conservative on Receipts

The conservatism on income estimates is carried even to the bogey of potential receipts based on various levels of national income. On a 70 billion dollar income, the Treasury estimates receipts of only six billions, whereas BUSINESS WEEK calculations, based on an actual 70 billion dollar income year, are nearly 10% higher (see table above). Such conservatism on income, and extravagance on expenditures, has its political advantages. In future talks on the budget, the President will be able to say, "We spent less, and we collected more."

The President's program (if it can be called a program) of letting the national income balance the budget marks an important turning point in the Administration's fiscal policy. Mr. Roosevelt has adopted whole-hog the ideas of Reserve Board Chairman Eccles. Originally, when he took office, Mr. Roosevelt was concerned with spending for relief—to take care of immediate distress. Gradually the idea of increasing earning power, under NRA, made a slight change in thinking. Thereafter the government would go in for "compensatory" or pump-priming spending; it would increase its outlays until business got going on its own steam, then expenditures would taper off. Now, however, the emphasis has shifted again—to investment. As long as business is not investing in capital goods, the government must take up the slack—and such investment must continue until private investment effervesces.

In short, government "deficits" have now assumed a new character—investment. And in the budget, the President presents a tabulation to show that the citizens have real values to show for the deficits—not "full values," necessarily, but at any rate values (see table, page 16). From 1931 through 1940, deficits are figured at $27,279,000,000, of which the President details "real values" in the form of roads, public works, investments, and so on, amounting to $16,423,000,000. Thus the government has 60¢ of "real values" to show for each dollar of net deficit.

National Debt Rises

There is, however, some question whether the government obtained full value for its expenditures. Experts estimate that on PWA and WPA projects, the labor return the government has been getting for payroll expenditures represents only from 50¢ to 75¢ on the dollar. That, in turn, would seriously cut down the "real values" shown on the Presidential tally sheet. In any case, however, regardless of what the "real values" are, the fact remains that in the 10 years of deficits from '31 through '40, the government has spent $27,279,000,000 more than it has taken in. And the national debt will have risen by June 30, 1940, to $44,457,845,000—more than twice what it was when Mr. Roosevelt took office in 1933 on an "economy" pledge.

"*Unforeseen events*... need not change and shape the course of man's affairs"

THE *NET* OF IT

He's a circus man, the daring young man on the flying trapeze. Yet he shows foresight many more business men could emulate. Before the performance, he carefully tests every inch of his rigging... with special attention to the net. He knows that despite his skill, an *unforeseen event* might easily make the net an economic, as well as a literal, lifesaver...

Now, as the curtain rolls up on 1939, capable executives are examining *their* "nets." With the aid of Maryland agents, they are making sure that their operations are fully protected by adequate casualty and bonding insurance. Knowing that modern business must operate with increased efficiency, they realize the necessity of a greater margin of *safety*.

* * *

Thousands of industrial and business clients, and homeowners, are being provided by The Maryland with *safety-nets* to cushion the losses incident to everyday hazards of working, living, playing. These policyholders will have more assurance... greater confidence... during the year ahead. Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.

By 4 P.M. You Realize

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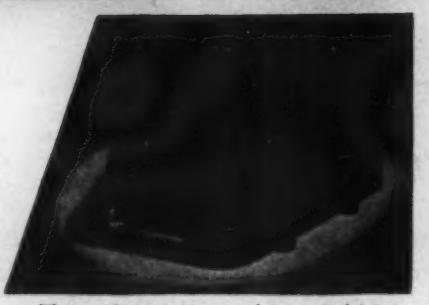

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Underwood

MASTER TYPEWRITER

U. S. Will Still Quiz

Not much reduction can be expected in federal questionnaires, despite reforms.

WASHINGTON (*Business Week Bureau*)—Little reduction in the government's demand on business for statistics will result even if all the recommendations made in this week's report to the President by the Central Statistical Board are carried out. As anticipated (*BW—Jun4 '38,p16*) the board's reviewing committee finds that most of the information called for by government agencies is essential to performance of their functions. The clear inference is that since government activities tend to multiply, there can be no significant decrease in the demand for information generated by such activities.

Investigation also clinched the fact that it is the statistical demands incident to tax and regulatory laws that occasion the most complaint, not the inquiries of the Bureau of Labor Statistics, Census Bureau, and other purely statistical and service agencies which collect, compile, and distribute information needed and wanted by most business men.

Coordination Proposed

The board found a substantial amount of unnecessary duplication, and submitted several recommendations aimed at elimination:

First, to give the Central Statistical Board adequate power to effect coordination, albeit recognizing as sound in principle and practice that various statistical collecting units must be attached to the agencies which have regulatory or administrative responsibility relating to the subject matter. Most business concerns will be mainly interested, judging by their letters, in the board's proposal that tax law and procedure be revised to permit consolidation of tax returns in cases where a considerable number of taxpayers are required to file two or more types of returns in a year; and that the Bureau of Internal Revenue, in lieu of all or part of a tax return, accept sworn statements which have been made to other regulatory agencies and which contain the required information. The board notes that the most conspicuous duplications arise from the fact that both state and federal governments collect income taxes and have to do with Social Security administration. The board also finds duplication in the filing of financial statements with the Treasury, SEC, and other regulatory commissions.

To provide some measure of remedial action the board recommends that any federal agency be relieved of any statutory requirements to do its own collecting when equivalent information is available from other agencies; that under safeguarding rules, other agencies be given

access to data obtained by one of them on a confidential basis, when the information is not intrinsically confidential but is merely covered by a broad statutory provision to that effect. It is also recommended that the President be authorized to eliminate duplication in reports after a hearing on the nature of and reasons for duplication which the coordinating agency is powerless to correct.

Cheaper Power

Seven states plan cut at Boulder Dam, to compete with Bonneville rates.

BECAUSE COMPETITION for new industries is keen among West Coast cities, and cheap and abundant power is a big factor in luring newcomers, prospective reduction of Boulder Dam rates from 1.68 mills per kw.-hr. (at the site) to about one mill, as provided recently in the seven-state agreement for financial operation of the dam, is receiving careful study in Los Angeles, Portland, Seattle, and San Francisco.

Los Angeles has been on pins and needles for fear the Portland (Bonneville) rate structure would be set at more attractive levels than the Boulder. The latter development was laid out before the present era of federal liberality toward power projects, and therefore the Boulder rates bear the burden of an amortization plan worked out in the Hoover Administration. The rate cut in the seven-state agreement is an attempt by southern California to offset this condition.

Legislatures Must Ratify Pact

The agreement ends two years of bitter wrangling among the Colorado River basin states over financial details of the project. Final concord came only after a minor capitulation by Wyoming and New Mexico over length of the period during which the so-called "upper basin states" would receive annual payments under the pact. Ratification by each of the legislatures in the states involved is necessary before the agreement can be presented to Congress as an amendment to the Boulder Canyon Project Act.

Principal features of the pact (in addition to the rate reduction clauses) are: (1) The power contractors are to begin payment in 1940 of $500,000 yearly into a separate fund. (2) For the first three years, or until 1943, these payments will be used in a comprehensive survey of the entire Colorado River basin. (3) Annually until 1955, the upper basin states will get $500,000. (4) Arizona and Nevada, beginning in 1940, will receive annual payments of $300,000 for 47 years. (5) Interest rates on the $130,000,000 construction cost of the project will be reduced from 4 to 3½%.

BURNING QUESTION

HOW TO REDUCE COST OF HEAT-PROTECTING FRESHLY-PLACED CONCRETE IN WINTER

'INCOR' CEMENT HARDENS 5 TIMES AS FAST, CUTS HEAT COSTS MORE THAN 60%

CONCRETE hardens through chemical reaction between Portland cement and water. Cold retards hardening—at or about 32°, it practically stops. To promote hardening and prevent freezing, concrete materials are heated, freshly-placed concrete is covered, and heat is supplied inside the structure. That is called heat-curing, and of course it adds to expense.

Obviously, the quicker the concrete hardens, the less heat-curing required and the lower the cost. That is why 'Incor' 24-Hour Cement often cuts heat-protection costs more than 60%—because this basically improved Portland cement is safe from freezing in one-fifth the usual time. Take a typical 6-story concrete building, 100′ x 100′ in plan: In cold weather, it takes about 30 coke-burning heaters or salamanders, like the one shown above, to heat each floor. Cost about $70 a day for fuel and fire-tending labor.

By hardening 5 times as fast, 'Incor' saves at least two days' heating cost, or $140 per floor—$980 for 6 stories and roof. Form costs are also reduced, because forms are re-used sooner—and faster erection reduces fixed overhead costs. On a building erected last winter, net savings amounted to $1.22 a cubic yard of concrete.

Take advantage of these 'Incor'* savings—now. Get details—write for illustrated book, "Winter Construction." Lone Star Cement Corporation, Room 2205, 342 Madison Avenue, New York. *Reg. U. S. Pat. Off.

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How State Laws Obstruct the Free Flow of Commerce

The Constitution says: "No state shall . . . lay any imposts or duties on imports or exports." And again it declares that "no state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States." But in the past few decades, principally since the beginning of the depression, interstate trade barriers have multiplied at a rapid rate.

Ten kinds of laws have become especially common, and the table below shows the record of the 48 states in the enactment of each of these types of restrictive legislation.*

State	Local residents favored in public employment (year adopted).	Local produce favored in public purchase (year adopted).	Discriminatory taxes on foreign corporations (year adopted).	Discriminatory taxes on foreign life insurance companies.	Discriminatory taxes on foreign fire insurance companies.	Discriminatory taxes favoring life insurance companies with local investments.	Chain store taxes.	Oleomargarine taxes.†	Number of years required for legal settlement.	Use taxes.
Alabama	.....	.....	1923	X	.....	.....	X	B	½	2%
Arizona	1919	.....	.....	X	.....	.....	.....	.....	.....	.....
Arkansas	1933	1927	.....	.....	.....	.....	.....	B	.....	2%
California	.....	1897	.....	.....	.....	.....	X	B	3	3%
Colorado	1933	1919	1921	.....	X	X	X	B	1	2%
Connecticut	1931	.....	.....	X	.....	.....	.....	.....	4	.....
Delaware	1933	.....	.....	.....	.....	.....	.....	.....	2	.....
Florida	1925	1923	.....	X	.....	.....	X	B	.....	.....
Georgia	.....	1931	.....	.....	.....	X	X	B	.....	.....
Idaho	1933	.....	.....	.....	X	X	X	A	1	.....
Illinois	1933	.....	.....	X	.....	.....	.....	.....	.....	.....
Indiana	.....	1931	.....	.....	.....	.....	X	.....	1	.....
Iowa	1931	1927	.....	X	X	.....	X	A	1	2%**
Kansas	.....	1931	.....	X	X	.....	.....	B	1	2%
Kentucky	.....	.....	.....	X	.....	.....	X	.....	.....	3%§
Louisiana	1908	1928	.....	.....	.....	X	X	B	.....	. .
Maine	1909	.....	.....	.....	.....	.....	.....	B	5	.....
Maryland	1935	1929	.....	X	X	.....	X	.....	.....	.....
Massachusetts	1914	1931	.....	.....	X	.....	.....	.....	5	.....
Michigan	.....	.....	.....	X	X	.....	X	.....	1	3%**
Minnesota	.....	1915††	.....	.....	.....	.....	X	A	1	.....
Mississippi	1932	1932	.....	X	X	.....	X	X	½	.....
Missouri	.....	1911	.....	X	X	X	.....	.....	.....	.....
Montana	1933	1933	.....	.....	.....	.....	X	X	.....	.....
Nebraska	.....	.....	.....	X	.....	.....	.....	A	1	.....
Nevada	1919	.....	.....	.....	.....	.....	.....	.....	3	.....
New Hampshire	.....	1915	.....	X	X	.....	.....	.....	5	.....
New Jersey	1931	1934	.....	X	.....	.....	.....	.....	5	.....
New Mexico	1931	1933	.....	X	X	.....	.....	B	.....	.....
New York	1889	.....	No Date	.....	.....	X	.....	.....	1	.....
North Carolina	.....	1931	1929	.....	X	X	X	B	1	—**
North Dakota	1931	1929	.....	X	X	.....	.....	A	1	.....
Ohio	.....	.....	.....	X	X	.....	.....	.....	1	3%
Oklahoma	.....	.....	.....	X	X	.....	.....	A	½	2%
Oregon	.....	1909	.....	X	X	.....	.....	A	.....	2%§
Pennsylvania	1933	.....	.....	X	X	.....	X	X	1	.....
Rhode Island	1931	1933	.....	.....	.....	.....	.....	.....	5	.....
South Carolina	1931	.....	1927	X	X	X	X	.....	3	.....
South Dakota	1935	1927	.....	X	.....	.....	X	A	1	.....
Tennessee	.....	.....	1929	X	X	.....	X	X	.....	.....
Texas	1931	.....	.....	X	X	X	X	.....	.....	.....
Utah	1933	1933	.....	.....	.....	.....	.....	A	1	2%
Vermont	1931	1931	.....	.....	.....	.....	.....	X	.....	.....
Virginia	1932	1926	No Date	.....	.....	.....	.....	.....	1	.....
Washington	.....	1911	.....	.....	X	X	.....	A	½	3%
West Virginia	.....	.....	.....	.....	.....	.....	X	X	.....	1%§
Wisconsin	1931	.....	.....	.....	.....	.....	X	A	1	.....
Wyoming	1935	1931	.....	.....	.....	.....	.....	B	¼	2%

X — States that have adopted the taxes.
** On building materials.
† A — Dairy states protecting butter. B — States protecting domestic oils.
§ On automobiles whether purchased in or out of state.
†† Repealed in 1933.

*Facts from The Maine Bulletin, November, 1937, "State and Local Barriers to Interstate Commerce in the U. S., A Study in Economic Sectionalism," by Frederick Eugene Melder, Ph.D., University of Maine, Orono, Maine. Also from Editorial Research Reports, April 19, 1937.

Business Week

State Trade Fences

Barriers to commerce increase. Supreme Court upholds ban on out-of-state drinks.

On Nov. 9, 1936, the United States Supreme Court upheld the right of the state of California to impose a $500 license fee on beer imported from other states. The court ruled that the 21st Amendment, repealing prohibition, established the right of the several states to regulate the importation of intoxicating liquor, unhindered by the equal protection, due process, or commerce clauses of the Constitution.

Last week, on much the same ground, the Supreme Court upheld the right of Missouri and Michigan to retaliate against California and the nine other states which have followed her lead and to prohibit the importation of beers and liquors from those states which themselves discriminate against out-of-state brands.

This spring, with 44 state legislatures swinging into full action, the air is certain to be full of proposals for the protection of home industry and for reprisal against those states with similar protective measures. Nothing in the whole worrisome liquor outlook so troubles brewers and distillers.

Action Won't Stop at Liquor

Similarly, the prospect is anything but pleasing to oleomargarine producers who have fought discriminatory taxes imposed by dairy states for half a century, to chain stores that must pay for the privilege of doing business in 23 states, and to out-of-state truckers who have to pay discriminatory fees for using highways in four Western states. These interests know that the state lawmakers aren't likely to confine themselves to liquor once they consecrate themselves to the job of preventing outlanders from earning any profit that might be conserved for constituents.

They know, too, that they cannot look to the courts for much relief. The Constitutional Convention specifically prohibited the laying of state imposts—largely as a result of the tax imposed by New York in 1787 on Connecticut firewood and New Jersey garden truck—but the ways around that Constitutional ban are many and devious, as the tabulation opposite indicates. And the Supreme Court has been consistently indulgent of these interstate barriers. It was this indulgence which encouraged state solons to experiment with many new and spectacular "protective" measures during the depression when money was tight at home.

It was during those years that Rhode Island ingeniously decided to require that all out-of-state milk be colored red. And Colorado sent out the militia to exclude New Mexican beet sugar laborers. And Los Angeles posted police at the Arizona border to be sure that prospective residents had enough cash in their pockets.

Business looks hopefully to next week's meeting in Washington of the Council of State Governments, but without any real conviction that the state officials will devise an effective truce.

•

Tax Corridor Wiped Out

Motorists shunned Arkansas' 6½¢ gasoline tax to buy over in Missouri where the tax is 2¢, so Arkansas passed a curious law (*BW—Jul10'37,p52*). It allowed towns within three miles of the border to charge the same gasoline tax as the neighboring state. The merchants of Omaha, Ark., 3½ miles south of the Missouri line, mourned to see tourists zip through its streets toward the lower tax areas. But Omaha's city fathers were resourceful. They altered the town's boundaries, thrusting out a tentacle of land a few hundred feet wide which extended well into the "border town" district. The state revenue department refused to sanction the tax corridor. It ruled recently that the revised boundaries were a subterfuge, that the gas tax in Omaha was 6½¢. And once more Omaha merchants mourn as motorists zip through to refuel in the region of lower taxes.

Illinois Starts Drive on Gas Cheaters

Wide World

Last week the Illinois Department of Finance put in service the first of a fleet of mobile fuel inspection laboratories. The trailer laboratory will travel around the state, visiting gasoline stations unannounced, and making tests of the gas sold to check against improper blending of fuels.

Row over Oil "Crop"

Illinois farmers and their allies oppose plans to prorate crude oil output.

With no legal restraint on production, daily output of the new Illinois oil field has mounted merrily to a figure of 122,000 bbl. daily. This crude displaces supplies that formerly were piped from distant fields to the Southwest where state laws control production. A bill designed to put clamps on Illinois wells was introduced at a special session of the legislature last spring. It died in committee. A second attempt at control legislation is expected during the regular session of the legislature which began Jan. 4.

Powerful groups are ready to oppose any such move. Most belligerent are the farmers who are reaping unexpected wealth from their underground acres. Independent oil operators and royalty owners are with them. Governor Horner's administration has gone on record against outright proration. Lieutenant Governor John Stelle has threatened that "discriminatory tactics" against Illinois crude might provoke a move to tax oil imports into the state. The opposition heads up in the Illinois Independent Oil Operators and Royalty Owners Association, organized last fall.

These allies declare that proration

would reduce drilling as well as production. It is generally held by them that no control is needed until Illinois production equals its consumption. The state's consumption is estimated at somewhere between 300,000 and 400,000 daily, or about three times its current output of crude.

It is charged that the oil interests favoring proration in Illinois consist mainly of companies with large investments in other states, that these are backed by politicians who would like to create a supervisory commission for the sake of the jobs that would result. Though Democrats retain control of the state Senate, Republicans won a majority in the House at the last election. Much of the Republican gain was scored in the oil regions. From this line-up, proration appears to have small chance during the present legislative session.

MARKETING

Iowa Gas Plan Hits Tough Going

Standard Oil of Indiana has trouble with its lease-dealer distribution system. Which fact may hold a lesson for chains trying to avoid punitive taxes.

ACE IN THE HOLE that most chain retailing organizations have held to play if chain store taxation gets too tough to beat otherwise is the fact that they can convert themselves into voluntary chains of stores that will be owner-managed by individuals—in most instances former employee-managers.

Basic experience in this field has been that of Standard Oil Co. of Indiana since 1935 with its Iowa Plan, formally known as the Dealer Marketing Plan (*BW—Jan1'35,p10*). This has been popularly supposed to be the cure-all. Certainly, published reports about it have been rosy ever since Standard's first-year experience, after passage of Iowa's chain store tax. In that first year, the newly fledged independent dealers produced more business than they had turned in during their previous year as company employees (*BW—Apr25'36, p9*). Few pointed out that general business was on the upturn, that the increase might as conceivably come from general conditions as from greater gumption at the gas pumps.

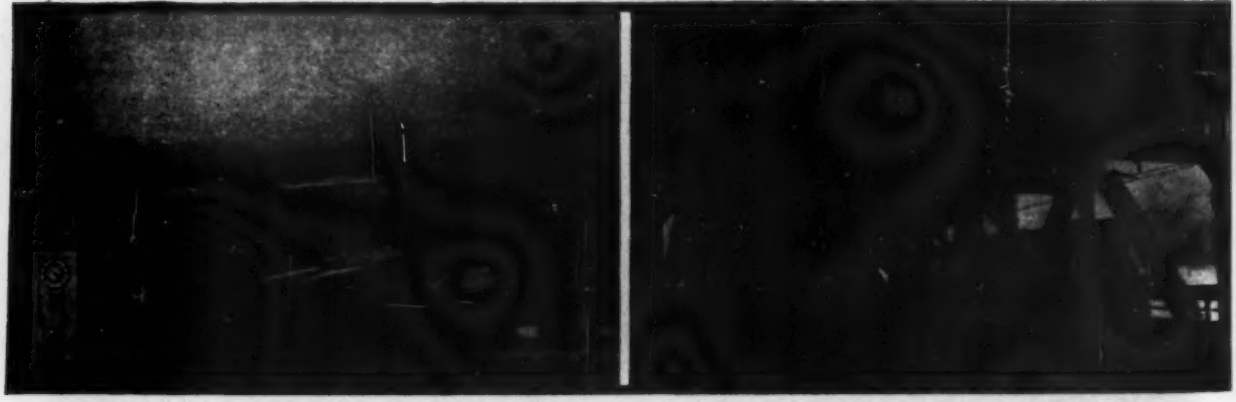
Today filling stations the country over are predominantly dealer-operated, and in the Middle West company-owned stations have almost disappeared. Lately rumors of dissatisfaction with the Iowa Plan have leaked from the petroleum industry. If the oil companies have found serious flaws in the plan, these may be tremendously significant to other industries that have been relying on it as their own eventual way out.

What the Executives Say

Marketing executives of major oil companies scurry for shelter when asked to talk about it for publication, or else take refuge behind such generalities as in Standard of Indiana's April, 1938, annual report: "The dealer marketing plan has been so far reasonably successful. There have been many instances in which stations have done better under individual management than they did under company management, although there have also been a few instances of contrary character. . . . There remain certain problems, but it is believed that these problems will work out satisfactorily in due time."

Individual executives of various companies speak much more freely off the record. What they say is not reassuring. Big companies with filling station experience know that sound retail distribution requires margins of 3½ to 4¢. They maintained these when they ran the stations, even though some independent with a track-side bulk station cut prices. But a dealer-lessee, blissfully unworried by provision for depreciation of equipment and similar hidden costs, typically saw a chance at cut-rate business by quietly offering gas to new customers at less than prices posted on his pumps. Then competing stations met his *sub rosa* price or undercut him. Today almost every major center blossoms with price inducements, and dealers are losing their shirts. In Chicago, typical of the worst situation, the price war has been

Oakland-San Francisco Commuters Switch from Ferries to Rapid Transit



Next Monday morning 60,000 commuters from Metropolitan Oakland to San Francisco will switch from the romantic but slow-moving ferries to the $18,000,000 rapid transit system on the San Francisco-Oakland Bay Bridge, saving about 15 minutes each trip with no fare increase. Simultaneously, the center of commuter traffic (and the retail business and property values supported by it) will shift from the Ferry Building at the foot of Market Street to the new terminal a few blocks south and west. Likewise, the suburban communities which make up suburban Oakland hope that the speedier transportation will lure city dwellers to the country.

hard and long since last spring. Oil company credit men are working evenings and Sundays to keep down losses without slaughtering dealer organizations.

Special Deals Made

Because companies worship gallonage, the United States has almost twice as many gas outlets as can be kept profitably busy. Rather than lose an Iowa-plan dealer and his gallonage, companies have lately been making all manner of under-cover deals. Common device is to cut the rent (which is generally so much per gallon of sales) or quit collecting rent. Another way is to drop the tank-wagon price to him by 50% of any price reduction he makes. But special deals reputedly go as far as giving the weak dealer a 3½¢ margin above whatever his retail price may be, or guaranteeing a big dealer a basis that brings him a substantial payment at quarter's end so that what would otherwise be red ink on his books turns black. Another symptom is that the octane—anti-knock rating—race among the big brands, previously suspended, is on again. This aggravates the price problem (*BW—Dec17'38,p32*).

Everybody knows that the present situation is unsound. Marketing vice-presidents whisper lest company presidents or harassed dealers overhear their assertion that the industry must quit holding umbrellas over weak dealers and let the dealer organizations shake down to a basically sound number of outlets. Nobody really believes this will ever happen. Experience shows that when a company sells at its regular price and lets dealers set their margin, they presently thin it down to less than enough to live on and then blame the company for their plight.

When the companies owned the stations, an inspection corps from the retail operating department checked that toilets were kept clean, that someone tried to sell a can of No-Squeak Lawnmower Oil to each customer, that everything ran as scheduled. Now there isn't any retail operating department, and men added to the sales payroll work to get old-time results by persuasion. They are not unfailingly successful. An employee's attitude toward supervision may change when he becomes a customer.

Costs—and Income

Nobody any longer believes setting managers up in business for themselves will curtail the company's investment in retail outlets. The typical employed filling-station manager made perhaps $25 or $35 a week, and spent it. He lacked the $700 to pay for three pumps, $150 for an air compressor, $400 for other essential equipment. It was once fondly supposed he would use his greater earnings as an independent merchant to obtain this equipment from the company, but he seldom does so.

If he is cutting prices he is probably making between $15 and $20 a week now. When the old compressor wears out, the company advances him a new one and probably collects back the cost at the rate of a fraction of a cent per gallon of gas delivered to him. And the central office credit manager has thousands of year-round dealer accounts to sweat over. Theoretical terms are: "No cash, no gas from the tank truck." In practice, holding a hard-pressed dealer to cash terms would often lose an outlet.

On the other side of the equation, the dealer can operate more economically than the company on some costs. Local customers know Pete Jones who owns the station, they tolerate less paint on the window sash, less hot water in the washroom than they'd take from a big corporation. And—one thing that

Maritime Commission Launches First Ship

Wide World

Last Saturday America took a tangible step toward marine rehabilitation with the launching of the tanker Cimarron at Chester, Pa. The vessel is the first of 52 in the year's program of the Maritime Commission to hit the water. The Cimarron, and a sister ship to be launched later, have been sold to the Navy. April 15 the commission hopes to take delivery of the first of the cargo ships built to its own account.

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the oil companies don't like to talk about—the small dealer has no Social Security taxes to pay. If he has a partner or a son the two men can work seven 12-hour shifts a week if they wish, where wages-and-hour law requirements might demand seven or eight employees. Also he is not burdened with workmen's compensation or with expensive company auditing.

Companies May Try Experiment

What will eventually develop cannot be accurately forecast now. The chain-store tax law situation has not yet jelled. The companies have not felt safe enough to make definite plans. Some companies are playing with the idea of taking back perhaps 10% of their stations, using these as guinea-pigs for experiments and as shining examples to hold up before the 90% of lessees or owners. Others disclaim any such intention. Talk is going around that Indiana Standard's leased retailers will come together in a separate organization, which might stabilize prices.

After three and a half years of experience and press-agentry, the Iowa Plan is far from being the keystone of a perfect marketing structure. Which of the various plans will be adopted to improve the situation is still uncertain. The only sure conclusion is that something will be done about it before long.

Golden Gate Theme

West Coast's world's fair will lure tourists to western states, Canada, etc.

WITH 35 DAYS TO GO before the Golden Gate International Exposition opens on Feb. 18, fair officials are revising their estimates. Three million advance tickets have been sold, and 20 million paid admissions are expected during the 288 days of operation. The fair expects an average daily take of $49,791, or $14,340,000 for the run of the show. About $8,500,000 of this comes from turnstiles; the rest from concessions and exhibits.

The exotic show in the middle of San Francisco Bay is shaping up as one big tourist promotion enterprise, perhaps the first major fair based largely on the travel theme. It is a gigantic "come on" to lure moneyed tourists to scenic spots in the 11 Western states and western Canada, the Latin American countries, and the Orient. A prospect will be able to buy an all-expense trip to Bali right at the exhibit of the Netherlands East Indies (probably from one of those beautiful Balinese maidens), and his ship will sail from a pier within sight of Treasure Island. If he goes by air, he can take off on a Pan American Airways Pacific clipper from the island itself.

The 11 states and British Columbia have joined in constructing a relief map

Main entrance of the Golden Gate exposition, at night. Between the two "Elephant Towers" are the turnstiles in which 20,000,000 admissions are supposed to clink in the 288 days the fair will be open.

100x110 ft., on a scale of one inch to a mile, showing in contour every depression and elevation, highway, scenic feature, vacation spot, and resort hotel in 1,189,141 sq. mi.

Drumming Up Tourist Trade

Peck-Judah, Pacific Coast travel agency, will promote business for resort hotel clients by an electrified map of California which illuminates any spot in which a prospect shows interest. Thos. Cook & Son Wagon-Lits, Inc. and American Express will push "packaged tours."

The Sultan of Johore, Federated Malay States, wants round-the-world travelers who visit Singapore to run over his way (a short boat trip to the mainland), so he's financing an exhibit personally. Netherlands East Indies, French Indo-China, Australia, New Zealand, the Philippines, Japan, and China, mindful of public interest created by the Pan American Airways base on Treasure Island, will work to increase trans-Pacific tourist traffic in general.

The current national interest in Latin America will also be used profitably. Brazil, Argentina, Peru, Chile, Venezuela, Colombia, Ecuador, Guatemala, Costa Rica, El Salvador, and Panama will harp on the idea that North Americans should come south and get acquainted.

Retailers Woo Public

Stores' convention will discuss public relations, and hear "typical consumer."

U.S. RETAILERS TOOK their first flyer into the field of public relations last fall when they held a "National Retail Demonstration" during the week of Sept. 19 (*BW—Sep17'38,p25*). By November they were thinking of going in for a regular public relations program by sponsoring such a tony radio show as the New York Philharmonic Orchestra's Sunday concerts, though that plan went by the board (*BW—Nov12'38,p30*).

As a logical progression, therefore, the National Retail Dry Goods Association is making public relations the keynote of its 28th annual convention, coming up at the Hotel Pennsylvania in New York Jan. 16. "Better Public Relations—Better Business" is its theme.

The general sessions are to be devoted to retailers' legislative problems, how to deal with such assorted legislation as the undistributed profits tax, the capital gains tax, social security, the Wheeler-Lea and Food and Drug acts; employee relations, in particular the annual wage plan; and consumer relations.

High Standard for Consumer

A "typical consumer" is now being scared up by the N.R.D.G.A. as the feature of its program. The association says she must be in her thirties, have at least two children and have a family income between $2,500 and $4,000, perform most of the work in her own home, reveal a reasonable amount of taste in the furnishing and decoration of her home, be intelligent, observing, and discriminating, "the fitting representative of that great class of consumers who are the backbone of the nation—young and ambitious, on the way up and fresh with confidence in the ability of her husband and the opportunities which the country offers." In spite of the fact that the 5,700 store members of the N.R.D.G.A. serve most of the 130,000,000 people in the United States, the N.R.D.G.A. was stumped when it came to picking up Mrs. Typical

Double-duty Dollars

that help keep men at work

240 million dollars help the **RAILROADS** move the products of farm and factory.

244 million dollars invested in **PUBLIC UTILITIES** work to supply light, and power to shops and homes.

400 million dollars stimulate employment in general **INDUSTRY.**

More than half a billion dollars are loaned to **GOVERNMENT** . . . the Federal, states, cities, counties, and school districts.

175 million dollars, mostly deposited in banks, mean a **CREDIT EXTENSION** of ten times that amount further to aid commercial enterprise . . . and employment.

These dollars are infused into the economic veins of the Nation by the capital stock* fire insurance companies. Thus, these dollars do double duty . . .

1 As assets of the capital stock fire insurance companies totaling over two billion dollars, they are a bulwark of protection against the crippling effects of disaster. That means greater national stability.

2 While in hand to pay normal losses and a backlog to pay for conflagrations and other catastrophes, these dollars are not left idle but are invested. To the man in the street . . . to everybody, that means capital for business ventures, goods for consumers and work for able hands.

In terms of "benefit to the many," there is no sounder brief for the American system of privately-capitalized enterprise than the institution of capital stock company fire insurance.

***CAPITAL STOCK COMPANY FIRE INSURANCE** provides sound protection at a predetermined price, without risk of further cost. In addition to legal reserves, its policies are backed by cash capital and surplus funds set aside to meet not merely normal claims but also the sweeping losses due to conflagrations and other catastrophes. Its organized *public* services are national in scope. Its system of operating through Agents everywhere gives prompt personal service to policyholders.

CAPITAL STOCK FIRE INSURANCE COMPANY — Standard protection

THE NATIONAL BOARD OF FIRE UNDERWRITERS
85 John Street, New York
Established 1866

Consumer, finally sent out a public appeal for her. She's to be interviewed in front of the convention by Alice Hughes, columnist on the New York *Journal*, tell the retailers about her shopping experiences and her reactions to their merchandise and service.

Complaint-Handling on Agenda

Customer complaints are due for plenty of discussion, centering on stores' operations of their complaint adjustment departments—whether it's sensible to have them handled by the publicity department, whether it's possible to cut down on the expensive business of adjusting customer complaints, and to work more intelligently at preventing them in the first place.

Fortunately the convention comes at a time when retail sales have finally taken a turn for the better. The last three weeks in December marked the first sales increases over the same period in the previous year (*BW—Aug6'38,p17*), topped that period in 1937 by about 5%. For all of 1938, sales hit $3,790,000,000, showing a decrease of 7½% from the 1937 total.

Air Raid on Alky Ads

NBC ends beer and wine ads. Federal ban urged.

BROADCASTS THAT BOOST alcoholic stimulants have long been a sensitive point with both the radio and beverage industry. Such promotion comes in on receiving sets of violent drys, is heard by their young. This becomes a special talking point for those who would revive prohibition.

For years the big webs (National Broadcasting, Columbia, Mutual) have refused liquor advertising programs. Last week Lennox R. Lohr, NBC president, told a hearing of the Federal Communications Commission that henceforth his company would also refuse advertising for beer and wine. Columbia is now in the throes of revamping its policy toward beer and wines. Mutual, for the present at least, stands on its ban of liquor only.

But this isn't the whole picture. The rules above refer to network programs, sent out by headquarters to affiliates. The net works have no control over local business drummed up by individual stations. These may or may not include advertising for the hard stuff. So Wilford S. Alexander, federal alcohol administrator, on Jan. 4 asked the new Congress to outlaw radio advertising of liquor. Moreover he would like to have Congress prohibit: Sunday newspaper advertisements of liquor; portrayal of women, children, religious subjects in liquor advertising; reference to alcoholic beverages as having tonic, food, or medicinal qualities.

Hurricane and Milk

Former caused losses, so latter's price may rise.

DAIRY FARMERS in New England lost buildings, forage, and feed in last September's hurricane, and they want to make up for it through higher prices for milk. The program has tentative approval of Sec. Henry A. Wallace, and a referendum of producers in the Boston milk marketing area with a view to promulgating a new marketing agreement is to be held shortly.

As it now stands, producers intend to add 27¢ a cwt. to the present price of $3.19 a cwt. for fluid milk. The new price of $3.46 would, according to the tentative agreement, remain in force only until May 1. At that time there would be a reduction to $3.06.

Thus it will be seen that the plan now is for farmers to make up all or part of their hurricane losses between now and May 1. Thereafter the 27¢ "emergency" price increase is supposed to be replaced by a 40¢ cut—which would bring the price of fluid milk down 13¢ a cwt. under that now prevailing.

The Agricultural Adjustment Administration's consumers' counsel opposes any increase in price, contending that consumption, "which already is too low," will be further curtailed by higher prices. He maintains, moreover, that improvement in prices since 1934 has been 80% to the benefit of distributors and only 20% to the producing farmers.

MARKETING ANGLES

Fair-Trade Prices in Rugs

MOHAWK CARPET MILLS ran an ad in New York newspapers last week to tell the trade it intended to set fair-trade prices on some of its new 1939 fabrics to help retailers conduct their businesses in an orderly manner, and aid them in securing adequate profits from their efforts —and probably it also intends to find out how fair trade will work in the rug trade.

FTC's Tire Complaint

THE FEDERAL TRADE COMMISSION landed on the United States Rubber Co. this week and one of its subsidiaries, U. S. Tire Dealers Corp., charging violation of the Robinson-Patman act. Special brand tires are alleged to have been sold to buyers like Montgomery Ward & Co., Atlas Supply Co., and Western Auto Supply Co. at prices under those charged the purchasers of regular U.S. brand tires of like grade and quality. The commission asserted that large volume buyers received special discounts and allowances; that discounts were given to certain customers and "commercial accounts" who bought tires through the company's own stores in 20 principal cities; and that oil companies, such as Socony-Vacuum, Pan-American, and Tide Water, got special terms, "at least as favorable as the best terms accorded to wholesale tire dealers." U.S. Rubber issued a statement saying it expected FTC to approve its merchandising policies when these are fully explained.

Lever Buys Gold Dust et al.

LEVER BROS. (Lux, Rinso, Lifebuoy, etc.) last week bought out the soap division of Hecker Products Co., which includes Gold Dust, Silver Dust, Fairy Soap, and Shinola Shoe Polish, for $2,500,000. Hecker, which started out in business as the Gold Dust Corp., and branched out into the manufacture of flour, cereals, margarine, mayonnaise, and salad dressing, in recent years has been getting the bulk of its net earnings from its Best Foods products—Hellmann's Mayonnaise, salad dressings, etc. The Hecker soap business was small, never managed to account for more than 3% of the industry, and in recent years, due to the tough competition of P. & G., Colgate, and Lever, had been taking losses.

Crosley's $79.50 Facsimile

THE CROSLEY CORP. last week announced the introduction of a new facsimile radio receiver, designed to sell at retail for $79.50. It will be available as a unit, with a Crosley radio attached, or as an addition to be used with any regular radio receiver with an output of five watts or over. Like the television receivers which were put on sale in New York department stores last spring (*BW—Jun11'38,p20*), the Crosley facsimile receiver is a bargain, but at present it hasn't many programs to receive. Some 15 stations have experimental facsimile broadcast licenses now, though only a handful are taking advantage of them. WOR, in New York, announces that it has nearly completed a full year of facsimile experiments, transmitting programs late at night, expects to go into daytime transmission sometime over its new ultra-high frequency station in Times Square, New York.

Names for Things Sold

FOR THE READY REFERENCE SHELF: "A Guide for Retail Advertising and Selling." Brought out originally in 1932 by the National Better Business Bureau, the new revised edition brings up to date the compilation of approved and suggested terms for the use of retailers in describing merchandise. As a companion volume, the B.B.B. is working up a "Guide for National Advertising," compiled with one eye on the Wheeler-Lea Federal Trade Commission Act and the other on the Copeland Food, Drug and Cosmetics Act; the guide will tell advertisers what they can and cannot claim in advertising standard products.

Resnick from Atlas

More sailboats at this year's show than ever before.

PRODUCTION

Boats Big and Little

Contrasting sizes with plenty of other contrasts appear at Motor Boat Show.

1939's FIRST BIG NATIONAL show at Grand Central Palace, New York—the 34th Annual National Motor Boat Show, Jan. 6–14—proved to be a "show of contrasts." Producers of oil-burning diesels came from afar with engines weighing 10 tons or more to vie for favor and orders with manufacturers of gasoline-burning outboard engines whose tiniest jobs weigh less than 10 lb. A 53-ft. ocean-going motor yacht competed for interest with a tiny 6-foot juvenile sailboat.

For the third successive year, the trend in general motor boat design continues along the lines of comfort, seaworthiness, and utility with little, if any, sacrifice of speed. Even a 24-footer for general service and commuting combines a top speed of over 40 miles per hour with comfortable sleeping accommodations for two under its foredeck. One large producer of fast inboard runabouts, which commenced a gingerly and tentative invasion of the cruiser field a couple of years ago, now has several models of cruisers with complete sleeping and cooking arrangements.

Outboard boat builders are concentrating more on "family boats" than on speedboats. Outboard engine builders continue their good work, reducing overall weight, enhancing silence, and increasing efficiency. One builder who startled visitors at the 1938 show with a 10½-lb. engine, whose single cylinder and other working parts were designed to run completely submerged for more efficient cooling, is now also in production with a 2-cylinder submerged job which weighs 19½ lb. and produces 3 hp. The largest builder of outboard engines is featuring a line ranging from a brand new single-cylinder standard job weighing 8½ lb. to a 4-cylinder 34-hp. behemoth.

Developments in Diesels

Newest thing in diesels is a supercharger for crowding more air into the cylinders. Newest thing in gasoline inboard engines is a fast racing entrant in the 135-cubic inch class. Both diesels and gas engines reveal a trend toward fresh water cooling, several of the models being now equipped with inbuilt heat exchangers through which the scale-form-

Resnick from Atlas

After the show is over—New York's streets see some strange sights.

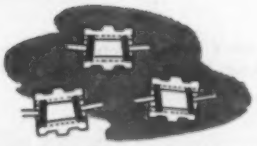
BREAKING OF DRIVE SHAFTS ON TOWBOATS *Stopped* WITH

FAST'S COUPLINGS

IN MANY CASES, the main drive shafts of Diesel-driven stern wheel towboats are as much as 50 feet long.

THE WEAVING OF the boat hulls causes constant bending of these shafts and frequently breaks them.

FOR THE TOWBOAT Atlas, Koppers recommended that a Fast's Self-aligning Coupling be used on the drive shaft.



THE MISALIGNMENT caused by the weaving of the boat is now taken care of mechanically by the coupling. No shafts broken; no trouble.

LET KO… …Your PROBL…

Fast's Self-aligning Couplings are only one of the Koppers products which are solving problems for industry. Some of the others are: Boiler and Power Plants, Castings, Carpenter Driers, Coal and Coke, Coal Cleaning Plants, Coke and Gas Plants, Creosote, Dehydration Plants, D-H-S Bronze, Western Fire Hydrants, Industrial Chemicals, Municipal Incinerators, Sewage Disposal Equipment, American Hammered Piston Rings, Platework, Tanks, Pressure-Treated Timbers, Purification and Recovery Systems, Ships and Barges, Roofing, Tarmac, Waterproofing, Water Gas Generators, Valves.

KOPPERS COMPANY, PITTSBURGH

KOPPERS

THE INDUSTRY THAT SERVES ALL INDUSTRY

ing waters of ocean, lake, or river flow without ever getting into engine water jackets.

Newest "gadgets" include a meter to measure how many gallons of fuel the power plant is consuming at a given rate of speed; several new "ship-to-shore" radio telephones for connecting small boats orally with telephone exchanges on the mainland; and a new all-monel metal anchor so new that its maker is conducting a "What's my name?" contest for it.

It "Hexes" Water

Calgon (sodium hexametaphosphate) is being put to new uses by Hagan Corp.

STARTING THIS MONTH, the seemingly abstract subject of "threshold treatment" promises to occupy considerable space in the technical, trade, and business press. The treatment consists of the miraculous business of preventing the precipitation of calcium carbonate from water—and consequent scaling of piping and equipment—by adding a trace of sodium hexametaphosphate so trifling that it almost defies chemical analysis.

Threshold treatment was so named by its sponsor, Hagan Corp., Pittsburgh, because the new contribution to low-cost, trouble-free operation of steam power plants, steam railroads, laundries, municipal waterworks, and such, is produced by an amount of material so small that it is "only on the threshold of water treatment as the problem is generally conceived." Named "Calgon," for short, the sodium hexametaphosphate need be added only in proportions of one or two parts per million to keep calcium carbonate from precipitating in condensers or heat exchangers where water is used for cooling purposes or in filters and pipelines following cold-process softeners. In some way still unexplained by chemists, the material has the property, not of removing calcium carbonate from water, but of holding it in solution where it cannot get in its dirty work. It is to be noted definitely that the makers of Calgon do not consider it to be a complete water treatment in itself for power plants, but a valuable yet inexpensive auxiliary to the standard water treatments.

Carriers, Utilities Use Material

Already 13 American railroad systems are finding the material of value in preventing after-precipitation of their softened waters. A public utility is using the treatment to prevent scale in diesel engine water jackets. Half a dozen distilleries find it a useful addition to cooling water in mash coolers and condensers. With the threshold treatment, a municipal water system has stopped scale deposition from "5 grain hard water" in hot-water pipes.

NEW PRODUCTS

Listener-Inner

WHENEVER IT IS DESIRABLE to have a witness to an important telephone conversation, place the receiving end of a Lumarith Double-h-Ear on the ear-piece of your telephone and let your secretary or your partner share the conversation

from the other end of the line. As molded out of the Celluloid Corp.'s Lumarith for the John J. Ross Corp., 50 E. 42nd St., New York, by Universal Plastics Corp., of the same city, the device is not a permanent installation. It may be tucked away in desk or coat pocket.

1939 Refrigerator Parade

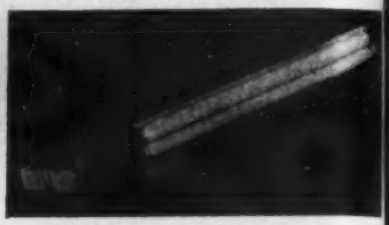
CELEBRATING ITS 25th anniversary as a pioneer in mechanical refrigeration for the household, Kelvinator Division, Nash-Kelvinator Corp., Detroit, takes its place in the 1939 refrigerator parade with a line of twelve "25th Anniversary Models." Features include improvements on its "Polarsphere" hermetically sealed mechanical unit, new functionally designed cabinets with shelves "wider and not so deep" for easier accessibility, twin dome lights to illuminate interiors, a glass-covered meat-keeping compartment, and twin glass-covered vegetable "crispers."

Westinghouse Electric & Mfg. Co., Mansfield, O., takes its place in the 1939 parade with 14 gleaming new refrigerator models. Features include the new "True-Temp" control which maintains refrigeration temperatures constant at any pre-set point regardless of outside temperatures, the improved "Economizer" mechanical unit, six different kinds of insulation for "retaining cold" and suppressing noise, a more spacious "Meat Keeper," and new "cathedral styling" embodying doors which span the cabinets from side to side without subtracting any interior storage space.

Westinghouse also parades all eight models of its 1939 electric range line. Features include a "Heat Saver" device in its redesigned Corox heating units which permits them to cook with "stored heat" while the current is turned off automatically during about 4th of the cooking time, a new "super-oven" which reduces current operation time to nine minutes out of the cooking hour, and a whole flock of signal lights, clocks, automatic time controls, thermostats, and "Minute Minder" signal bells to keep the cook's mind on her cookery.

Versatile Lighting Units

WITH A LITTLE BOX-LIKE "Standard 90-deg. Connector" and four of the long Fluorescent Units, just brought out by F. W. Wakefield Brass Co., Vermilion, O., it is a simple matter to assemble a lighting fixture in the form of a Maltese cross. Four or five of the long units, ar-



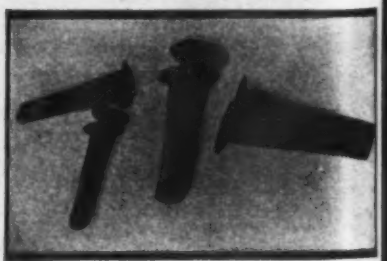
ranged side by side, produce another attractive fixture. Patented feature is that they can be interconnected quickly in any number of patterns or combinations.

Plastic Shoe Heels

PATENTED HONEYCOMB CONSTRUCTION in the upper part of new plastic heels for women's shoes permits nailing with the same machinery and tools used to affix standard wooden heels. The Plastics Department, General Electric Co., Pittsfield, Mass., molds them from cellulose-acetate in solid colors for Pearson Heel Co., St. Louis, Mo., which has patent rights on a detachable leather heel tap which may be replaced without tools in less time than it takes to tell about it.

Weather-Tight Bolts

TWO YEARS AGO bolts appeared on the market with concentric rings or ribs under their heads designed to press into



wood and thus to exclude moisture. More recently, the Lamson & Sessions Co., Cleveland, O., has engineered tapered splined shanks for similar bolts, making them fit bored holes in wood like corks in bottles. Drawn down flush without

counter-boring, the patented Lamson Weathertight Bolts will provide smooth, moisture-resisting surfaces wherever wood must be exposed to the elements.

Bun Slicer

THE TALENTS OF U. S. Slicing Machine Co., LaPorte, Ind., have been turned to the problem of keeping up with the overwhelming demand for more and yet more hamburgers and hot dogs. Result is the new U. S.-Berkel Electric Roll &

Bun Slicer which takes different sizes and shapes as fast as they can be fed. The company has also developed a new Continuous Feed Machine for the production, slicing and "shingling" of bacon.

Plastic Flower Pots

SINCE TIME IMMEMORIAL, the standard material for flower pots has been clay. Recently, Molded Insulation Co., Philadelphia, began molding flower pots of lustrous Durez plastic in color. Being moisture-proof, they keep water and dirt from seeping through.

PRODUCTION ANGLES

Fire Frequency

THE NUMBER OF FIRES and explosions in industrial plants follows closely the changes in the rate of industrial production, according to a study made by the Associated Factory Mutual Fire Insurance Companies, Boston. The close relationship arises from the fact that most fires in manufacturing plants are process fires which occur only when processes are in operation.

Modernization Clinic

FIFTEEN LEADING MANUFACTURERS of equipment used in laundries and cleaning plants have combined forces in the Modernization Clinic, 3008 W. Lake St., Chicago, to demonstrate the advantages and economies of modern equipment. Best part of the set-up is that it shows old equipment running alongside new. "Students" at the clinic participate in round table discussions on such subjects as the unit system of production, traffic and transportation, synthetic cleaning

HOW TO TELL MAGENTA FROM CERISE

In the color matching room of the Crowell Publishing plant at Springfield, O., 46 fluorescent MAZDA *lamps provide 100 footcandles of light at the working surface.*

Crowell finds answer to color matcher's prayer with new fluorescent lighting

THE Crowell Publishing Company (Collier's—Woman's Home Companion—American—Country Home) has solved the problem of matching the color in press proofs with that in the original art work, regardless of time of day or season. They use "indoor daylight" from General Electric Fluorescent MAZDA lamps. These new lamps give the closest approach to real daylight ever produced at high efficiency. They also give several times more light than incandescent lamps of the same wattage and color. For the same amount of light, they are 50% cooler.

As a result of this installation, time and eyesight are saved, and color matching work is done with more efficiency.

Wherever daylight effects or colored light sources are wanted in theatres, stores, factories, offices, or industrial plants, G-E Fluorescent MAZDA lamps have much to offer. For further information write to General Electric Company, Dept. 166-BW-A, Nela Park, Cleveland, Ohio.

G-E Fluorescent MAZDA *lamps are available in daylight, red, blue, green, pink, gold, and white, and in 18, 24, and 36 inch lengths.*

GENERAL ELECTRIC
MAZDA LAMPS

HOW DO YOU JUDGE

a faculty?

You judge a school's faculty by "the finished product" . . . by the character and achievements of the men and women whom the faculty has trained and educated.

Every member of the faculty of the International Correspondence Schools is thoroughly trained in the technique of home-study instruction. From Cornell University, Iowa State College, M. I. T. . . . from Purdue University, Vassar College, McGill University . . . from Williams, Swarthmore, Lehigh, Columbia, Harvard and a dozen other American and foreign institutions of higher learning come the men and women whose teaching skill and human understanding supplement specially prepared I. C. S. textbooks.

This faculty wishes to be judged not by its advanced degrees, published works or extra-mural attainments, but by the thousands of leaders in every business and industry who attribute much of their success to I. C. S. training . . . and by the tens of thousands of ambitious men now enrolled, who are training for tomorrow's leadership.

"The Business of Building Men" will be sent — free — on request

INTERNATIONAL CORRESPONDENCE SCHOOLS

SCRANTON, PENNSYLVANIA

New York, Chicago, Philadelphia, Washington, San Francisco, St. Louis, Los Angeles, Boston, Montreal, London, Sydney, Wellington, Cairo, Shanghai, Havana, Mexico City, Honolulu, Buenos Aires, Manila, Cape Town

New Studebaker

LARGE ORDERS for steel which it is placing strengthen the rumor that Studebaker Corp. will go into production with a new lower-priced passenger car—one which may very possibly compete in the lowest price brackets.

solvents, packaging and merchandising, plant lighting and plant layout.

For Synthetic Sunburn

IN PLANTS WHERE ultra-violet light is used in various production and inspection processes, there are occasional cases of synthetic sunburn. At least one plant management insists that all workers coat their hands, arms, necks, and faces before exposure to such light with a lotion containing 5% of "Sunburn Preventive No. 2," a menthyl anthranilate preparation of Givaudan-Delawanna, Inc., 80 Fifth Ave., New York.

Two New Researches

TWO NEW PROJECTS are getting under motion at Mellon Institute, Pittsburgh: (1) An "industrial fellowship" established by American Air Filter Co., Inc., Louisville, Ky., to investigate materials of value in the construction of filters for air-conditioning systems. (2) An industrial fellowship established by United States Gypsum Co., Chicago, for research to develop new processes and technics in the field of building materials.

Technicolor Expansion

NEXT MONTH WILL MARK the completion of the new $1,000,000 Technicolor laboratory and office building now being constructed in Hollywood, Calif., by the Austin Co., Cleveland. Print capacity will jump simultaneously to a new high of 130,000,000 ft. of color film per year.

Dry-Ice Paint Spray

ONE OF THE ENGINEERS of the Tennessee Valley Authority had occasion to spray some paint in a location far removed from compressed air hoses and electrical lines. According to McGraw-Hill's *Engineering News-Record*, he converted an aluminum eight-quart household pressure cooker into a generator for carbon dioxide gas to take the place of air in his spray-gun; a 10-lb. chunk of dry-ice furnished enough gas to spray a gallon of paint.

Product Diversification

FROM KADETTE RADIOS to Argus cameras, Argus photograph printers, and Argus projectors, the product diversification program of International Radio Corp., Ann Arbor, Mich., has carried it along to a point where it is changing its name and style to International Industries, Inc. Next new product will be the Rapidex, a fluid-feed type duplicator for the office equipment field.

LABOR AND MANAGEMENT

Auto Union Near "Final Payoff"

Homer Martin quarrels with his executive board over his negotiations with Ford. Special convention seems probable outcome of long dispute.

ONE MORE CRISIS in the internal affairs of the United Automobile Workers (C.I.O.) arrived this week, and this time nearly everyone concerned felt that the "final payoff" was on the way. Homer Martin, the union's president, and the 24-man executive board were quarreling; both sides were confident of rank-and-file support. Ultimate decision by a special convention of the U.A.W. seemed the only reasonable conclusion, with these points in the background:

Keystone

Sidney Hillman, representing C.I.O., has been acting as "receiver" for the United Automobile Workers, but without power to intervene. This week he stood by while U.A.W. executives wrangled, waited to see if a rank-and-file vote would be taken to confirm C.I.O. advisory powers.

1. Martin has talked with non-union Henry Ford (*BW—Oct22'38,p22*) and Harry Bennett, Ford's two-fisted industrial relations chief. Bennett has let it be known that he likes Martin personally. Martin has turned noticeably cool toward C.I.O., and has been more and more insistent on complete self-direction for the U.A.W.

2. On the other hand, the board members who called Martin into conference this week have become firmly convinced that the U.A.W. and C.I.O. must stick together, particularly since C.I.O. advisers helped patch up a bad U.A.W. executive split last fall. The anti-Martin faction would love to organize Ford's—but not at the price of separating U.A.W. from C.I.O. or separating a new Ford union from U.A.W.

3. The C.I.O. has declined to take any part in the present scrap, unless invited in by a majority of the rank-and-file membership.

What Will Locals Choose to Do?

Thus the whole disturbance boils down to a question of which way the U.A.W. locals want to go. Martin has been meeting with locals recently and is confident that he can get the majority vote in any convention; on the other hand, the anti-Martin board members are just as certain that he is backed by a small minority.

First move by the board to shear Martin of his power was easily accomplished: the president was removed from editorship of the union's newspaper and a five-man editorial board substituted. But the anti-Martin members faced this problem: under the U.A.W. by-laws the executive board can dictate to the president when it is in session; when it is not meeting, the president is in supreme authority. Therefore, as long as it was meeting, the board could continue to set up committees to take Martin's activities over, one by one—but if the meeting adjourned Martin could take almost any executive step, even to suspension of all of the board members who oppose him. Accordingly, a truce until a convention could be held was wanted by many of the embattled executives.

Labor observers have found the U.A.W. activities intensely interesting ever since the union sprang into being some three years ago. In almost no time it rose from nothing to a membership of around 375,000. It came up with urgent demands for contracts all over the Detroit area, an army led by corporals. Aided by the most successful organizational sitdown strikes ever pulled, the young U.A.W. took General Motors and then Chrysler, and followed up these

victories by signing just about everything in sight except Ford's.

Even at that time, the U.A.W. was known for its "factional fights," and at its second convention (August, 1937) the members were divided almost equally behind a "unity" faction led by Vice-Presidents Ed Hall and Wyndham Mortimer, and a "progressive" group headed by Martin and Vice-President Richard Frankensteen. Before conclusions could be tried, John L. Lewis suggested that they forget their differences and reelect all officers, and that biennial conventions be substituted for the annual meetings. This program went through.

Dissension Persists

With an outward appearance of unity, the U.A.W. officers contined to slash away at each other. A recognizable issue was "local autonomy"—or whether union locals should run their own show without "interference" from the international headquarters.

In April, 1938, BUSINESS WEEK went over the situation in Detroit, reported that "it may get worse—much worse—before it gets better." Business was jittery, and U.A.W. officials had begun to slam each other openly. In July, Martin, controlling a majority of the 24-man executive board, suspended four of the board members, George Addes, Hall, Mortimer, and Frankensteen (who had changed from pro- to anti-Martin). In August the four were tried and expelled by the board. Shortly thereafter, a majority of the board and a large number of locals invited the C.I.O. to try its hand at mediation.

Results of the C.I.O.-U.A.W. conferences were reinstatement of the four expelled officers, and an agreement that a joint steering committee should be set up, composed of Martin and Vice-President R. J. Thomas for U.A.W., and Sidney Hillman and Philip Murray for C.I.O. That was in late September.

Until the year-end, things ran fairly smoothly. Murray, with a number of contract negotiations to handle for his Steel Workers Organizing Committee, left the C.I.O. representation pretty much to Hillman (who was busy himself with the Textile Workers Organizing Committee but who agreed to stand by as adviser). Hillman told everyone that he was behind Martin, and Martin faithfully telephoned Hillman to seek advice in several ticklish situations. In mid-December, the Martin-to-Hillman telephone calls ceased.

Report of "Deal" Starts Row

When Martin sent a letter on Jan. 3 to U.A.W. locals, urging that the special agreement be dropped, the factional knives were whetted again. In the three months he had been in charge, Hillman had gained the confidence not only of Martin's board, but of several sections of Detroit business management. Prospects were that the union executives could learn to pull together, that Martin would continue as president of U.A.W. and probably be reelected at the next regular convention (August), and that the C.I.O. would be called on less and less frequently for advice until the agreement was dropped by mutual consent.

All such prospects went glimmering this week as the anti-Martin crowd was angered at the reports of a Martin-Ford "deal," and Martin got set to try for rank-and-file referenda. As the factions fought it out in the automobile city, the C.I.O. advisers stood by, unable to act without an invitation from the union, and not sure what they should do if the invitation came.

N.A.M. Starts New Outdoor Advertising Series

With the poster above, the National Association of Manufacturers is now launching its third series of outdoor advertisements. Last year's campaign centered around the part industry plays in building homes and families. The new campaign carries through the N.A.M.'s theme for 1939 of cooperation of all groups in the drive to recovery. Appearing on 15,000 poster panels throughout the country, the new displays constitute one of the largest outdoor programs since the Liberty Loan drives.

Stop Ads; Help Strike

Some companies yield to request of Newspaper Guild in Chicago struggle.

A MONTH-OLD LOCAL LABOR problem in Chicago became a national issue this week, spotlighting a problem for big advertisers. Should they agree, or decline, if a committee of American Newspaper Guild members called to ask that advertising be withheld from the struck Chicago Hearst papers—the *Herald-Examiner* and the *American*?

The strike, called by the Guild (C.I.O.) on Dec. 5 against the two papers has been supported vigorously by sundry trade unions there, by the local Catholic weekly, the *New World*, and by the labor press nearly everywhere. The papers have continued operation, however, using A.F.L. printers and pressmen, and this fact has resulted in claims by anti-Guild forces that the dispute was merely a jurisdictional quarrel. This week the A.F.L. weekly news-letter announced that the strike had fizzled out, and that all but "a scattering few" of the employees had gone back to work.

Unbiased observers, however, calculated that the strike was nowhere near an end. The Chicago Guild reported that about 500 employees were out, and that approximately 212 advertisers were boycotting the papers. Most of those listed were local firms, but among the names were four nationally advertised cigar lines and two leading shoe manufacturers.

Extension of the "secondary picketing" strategy through pressure on national advertisers was just getting under way this week. Committees in New York City and Los Angeles were busy, the working newspapermen using their off-job hours to call on headquarters of big advertisers who schedule linage in the Chicago papers. Incidentally, the chairman of the New York committee was a veteran Hearst employee, Monroe Stern of the *Journal-American*.

Explaining "No" to Committee

Most interesting to other advertisers, and to newspapermen, was the frank answer given the New York committee by Robert Barry, public relations director for National Distillers. Asked to follow the policy of Leo Sack, public relations chief for Schenley Distillers, who had agreed to hold off advertising until the strike was settled, Mr. Barry said no, and amplified it after describing how he was threatened with dismissal if he joined a union as a young reporter. He sent the answer right down the newspapermen's alley:

"You, as editorial workers, are not

K & M insulation adds efficiency to International Harvester Co. power plant

To assure efficiency in the power plant at East Moline Works, International Harvester Company (Incorporated) installed heat insulation made by K & M. This is a natural choice, for The Keasbey & Mattison Company has devoted considerably more than half a century to the development of high-quality, high-efficiency insulation products.

Starting as a tiny two-man business more than 65 years ago, The Keasbey & Mattison Company specialized from the start in Magnesia, and later, in Asbestos products. Pioneering in insulation materials, this Company rapidly grew to an important industry, and today employs 2000 persons. It is a national institution with nation-wide facilities.

As an innovator of improved materials, of advanced methods of distribution, and of scientific product application, K & M is one of the manufacturing leaders of America.

K & M

ASBESTOS AND MAGNESIA PRODUCTS

KEASBEY & MATTISON COMPANY
AMBLER, PENNA.

District Sales Offices in principal cities

K & M "Featherweight" 85% Magnesia, one of the foremost products in the extensive K & M line, is an outstandingly efficient form of heat insulation for temperatures up to 600°F. Its industrial uses are almost endless. K & M cooperates with its distributors by making available to users constructive engineering advice that frequently produces extra economies. For quality products and intelligent service, you can rely upon K & M Distributors.

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only inviting but, in effect, demanding that the advertiser use the power of his dollars to influence a publisher. . . . Are you not, thereby, opening wide the doors to advertiser coercion subsequently in matters in which he has a direct personal interest? . . . My loathing for 'must' reading notices sent up from the business office remains rooted so deeply my answer to all of these questions must be that no temporary conflict between publisher and reporter is worth winning at such a price."

Employers' Union

Des Moines has one that handles labor problems and passes on contracts.

NEW EVIDENCE that "employers' collectives" are coming fast in industrial relations was found this week in a midwestern city of 150,000—Des Moines. Not so big as San Francisco (700,000), and with different problems, the Iowa city is doing very well, in the opinion of business men who have pooled their public relations efforts. Whereas the San Francisco businesses adopted the well-tested Waterfront Employers plan and made it cover many other businesses (*BW—Sep3'38, p15*), the Iowans started from scratch with a heterogeneous collection of members.

The Industries Council in Des Moines has been functioning since May, 1938. Formerly, each employer handled his own labor problems without knowing what others in his field, or in other Des Moines industries, were doing. As it operates now, the Industries Council acts as a clearing house for all information bearing on employer-employee relationships. Any individual or group of employers can negotiate a separate contract, with the council standing by as an advisor, but the members have agreed that the council's executive committee shall pass on each new contract.

Setup of Organization

Most important general groups among the 40 industries covered by the association are wholesaling, automobile dealers, city transfer and long-distance hauling companies, oil companies, laundries, bakers, and a number of manufacturers. The council is governed by a board of 21 directors, who elect the executive committee. At present, the executive committeemen are A. D. Riley (Pratt Paper Co.), Walter T. McNerney (Brown-Camp Hardware Co.), Harold Weitz (Century Lumber Co.), Shirley Percival (Green Foundry & Furnace Works), Ben Fowler (Miller's Laundry), Ben Sanders (Sanders Motor Co.), and Frank Zeh (Des Moines Wholesale Grocery Co.). The board elected as chairman for the first term K. G. Carney, who is president of the Consumers Fuel Co. and one of Des Moines' outstanding citizens, and it employs as full-time executive secretary an experienced man in collective bargaining, George Heaps, Jr.

Getting along toward the end of its first year, the Des Moines council has a good record of successful collective bargaining. Labor disputes have been very few, and the council's office force moves rapidly to clear up misunderstandings. It avoids dictation, leaving the final word to each member in his own negotiations, but its advice has been generally accepted. Observers who have noted the interest big cities are giving to San Francisco's experiment are inclined to believe that Des Moines may have the pattern for medium-sized centers.

One-Man Rebellion

International

Paul Chusid, paperhanger, didn't like the way his union was being run. So he chained himself to a pillar in the A.F.L. painters' union headquarters in New York, and proceeded to give union officials a piece of his mind. Police ruled Chusid a "fire hazard," and snipped him loose from his chains.

NLRB, Storm Center

Labor board submits its record; raps Sen. Burke. A.F.L. demands changes.

THE THIRD ANNUAL REPORT of the National Labor Relations Board, together with clarification of the American Federation of Labor's demands for amendment of the Wagner Act, made this week an important one for labor legislation parleys. Like a couple of extra gas-burners turned on under an already boiling pot, the public announcements served to make a hot subject even hotter.

Chairman J. Warren Madden of NLRB, meanwhile, lighted a fire of his own under Sen. E. R. Burke, with a 10-page letter which answered a Burke radio speech of last Dec. 26. The Senator had said that the United States had more labor trouble than 18 other countries surveyed by the International Labor Office. Mr. Madden, using the same I.L.O. yearbook as his authority, said that the Senator "had confused the public with false statements."

"True or False?" might well be the title of the national debate which went on this week, with the NLRB record as subject matter. The board reported that in its third year it handled 12,632 cases—nearly 12 times the first year's total and three times as many as it had in its second year. Of these it closed 8,851 cases, or three times as many as during the first two years.

A.F.L. Urges Amendments

Meanwhile, the A.F.L. let it be known that it would press for nine amendments to the Wagner Act. The federation has worked up an omnibus bill containing several suggestions about which parties should bring complaints to the board, how evidence should be admitted, subpoenas issued, and employee elections held, but its major purpose is to force the labor relations board to recognize craft distinctions in certifying union jurisdiction.

Behind this major drive lies the contention that the NLRB has favored the Congress of Industrial Organizations in its definitions of labor units. Yet the NLRB report this week breaks all statistics down into A.F.L.-vs.-C.I.O. classifications, and shows approximately an even break for the two contestants. On the record, as a matter of fact, the A.F.L. comes off best; for example, where the two labor federations have sought unit jurisdictions in the same case, the A.F.L. contention has been granted 21 times and the C.I.O. contention 16 times.

Ask Rewriting of Act

Numerous business men, believing that the case for amendment of the Wagner Act was likely to get involved in bitter partisanship, have been shifting their support to a suggestion for "rewriting the act, not revising it." This movement is expected to gain force, at least until the Administration shows its hand—and may be aided from that quarter. The proponents of such an endeavor, whose views were ably presented by Roy W. Moore of Canada Dry on a national radio hookup last week, insist that enough experience has been gained by labor, business, and the public to permit the writing of a much better labor law than the Wagner Act of 1935.

LABOR ANGLES

One More Guarantee

CALLING ITSELF the first department store in the country to institute an annual employment guarantee, Namm's of Brooklyn this week announced that some 1,300 regular employees could count on a definite minimum number of work weeks for the year beginning Feb. 1. Workers with over five years' continuous service, who constitute 55% of the total force, will be guaranteed 52 weeks' employment a year, while an additional 35%, who have been with the store from one to five years, are assured of 40 to 48 weeks' employment. Executives expect actual weeks worked to be higher than these latter minima, which are intentionally set low to allow for unforeseen business developments.

More Salary Raises

As BUSINESS began a new year, two more important pay-cut restorations joined the increasing number of moves indicative of confidence in the 1939 outlook. Effective Jan. 1, most of the salaried employees of Carnegie-Illinois Steel and Studebaker are getting fatter pay envelopes, as the steel company returns to the full-time work week of 5½ days, while the auto plant cancels last April's pay cuts of 10 to 25%. In both cases, however, the pay of top executives is being left unchanged. Meanwhile, Westinghouse announced that 1938 pay cuts for certain classes of workers had been rescinded as of Jan. 1.

Out of the Frying Pan—

MOVING SWIFTLY TO PURGE the C.I.O. of practices of questionable odor, Allan S. Haywood, New York regional director, recently announced the dropping from affiliation of the Hamburger and Doughnut Workers Union, Local 170. Complaints from its membership and mismanagement of its affairs were responsible for the revocation of the local's C.I.O. charter, Haywood said.

Retirement Legislation

WITH MORE THAN 500 private businesses supplementing the Social Security Act by providing retirement benefits to their workers, state and municipal governments are accelerating plans for pension systems for their employees, who are ineligible for old-age benefits under the federal law. Surveying the situation, the Municipal Finance Officers' Association of the United States and Canada reports retirement legislation is to be introduced in at least nine states in 1939. Pension plans at present exist in fewer than 10 states, and in only 519 cities of more than 10,000 population; many of the latter pension only policemen and firemen. State-wide plans, administered jointly by participating municipalities or by the state, are in favor as providing economical administration and spread of risk.

Jobless Total Rises

THE FALLACY OF THINKING of unemployment only in industrial terms has been demonstrated again, in the latest report by the National Industrial Conference Board. Although factory employment rose by 189,000 during November, the latest month checked, about 530,000 farm workers were laid off. Construction added 59,000, other lines picked up 244,000. But the net count shows an increase of 1.3% in unemployment, which the Conference Board now estimates at 9,211,000.

Exploring the Background

RECENT INDUSTRIAL RELATIONS books have stressed collective bargaining, the handling of grievances, and similar aspects of the problem. Although covering these subjects as well, the latest addition to the field, "The Management of Labor Relations," (Gordon S. Watkins and Paul A. Dodd, McGraw-Hill, $4.00) goes back of them to stress matters even more fundamental to the moulding of an effective and satisfied labor force, such as employee selection, training, and the offering of incentives. The 732-page volume includes a convenient index and bibliography.

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MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Dollar Becomes Supreme

American money gains increasing recognition as standard of value, in place of gold, while Britain fights desperately to stop decline in pound.

THE TURNAROUND IN THE BRITISH pound from a low of $4.62\frac{7}{16}$ last week to better than $4.67\frac{1}{2}$ this week might well have been bullishly construed by stock and commodity markets, but war again reared its ugly head. The testimony of Ambassadors Kennedy and Bullitt on the German air strength at a joint secret session of the House and Senate Military Affairs Committees was given publicity and added to apprehension over the European situation.

Defense of the Pound

At the time, the markets were apathetic, waiting for some push in either direction; and this news provided the push—down—and more than offset the determined efforts of British monetary authorities to arrest the decline in sterling. A transfer of about $1,600,000,000 of gold from the Bank of England to the Exchange Equalization Account gave the British money managers a huge defense fund to protect the pound for the time being—and sent shorts rushing to cover.

As a result, however, the gold holdings of the Bank of England have been substantially reduced and the resources of the Equalization Account have been broadcast to the world. The cupboard must have been bare of gold, or the transfer would not have been made so abruptly, while Montagu Norman, head of the Bank of England, was in Berlin, visiting Hjalmar Schacht.

Since March 31 the Equalization Account has lost nearly $1,500,000,000 of gold. The exodus has been largely to this country. U. S. Treasury gold stocks last year rose $1,700,000,000, which, incidentally, is just about the Account's present stature.

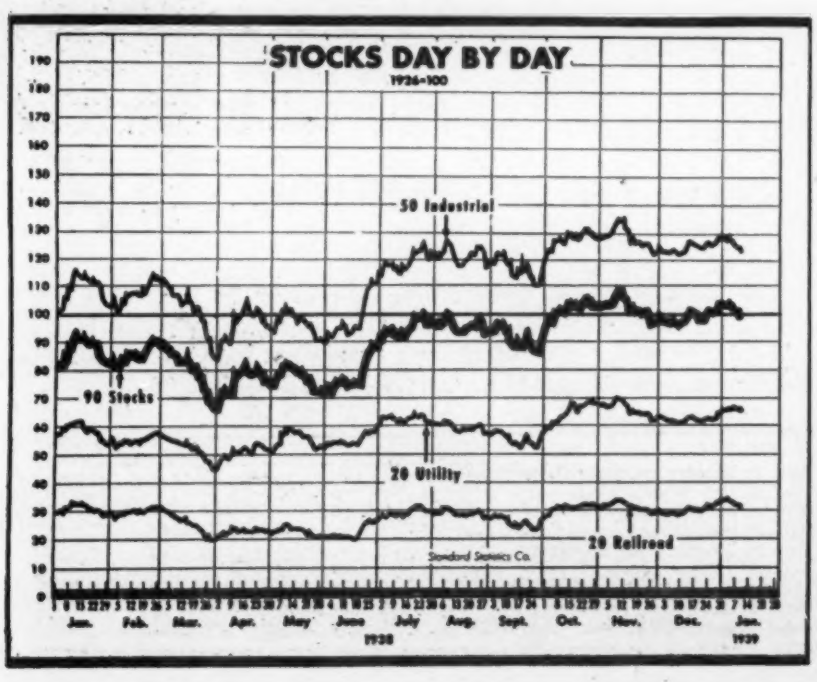
The explanation is the rather obvious one—political instability in Europe. So long as war continues as a threat and leading nations continue to spend huge sums on armaments, capital is likely to consider Europe a good place to stay away from. America is the natural haven, and the fixed price of $35 an oz. that this government pays for gold assures an easy transfer from foreign currencies into dollars by way of the London bullion market.

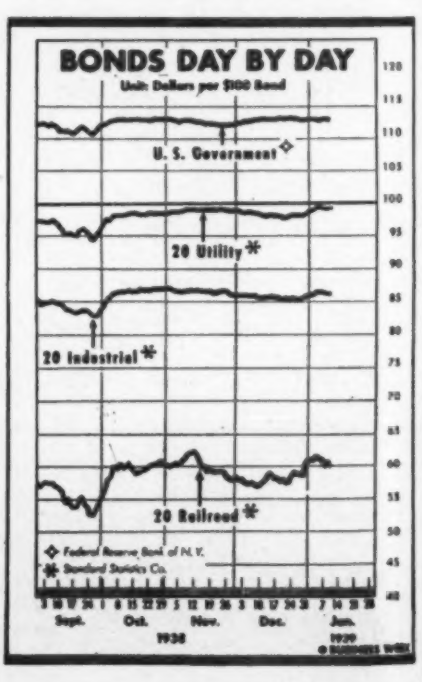
Apparently the dollar is the one solid anchor in international monetary dealings. This fact was given particular emphasis this week when the Amsterdam banking house of Mendelssohn & Co. renewed a credit to the French railways and included in the contract a dollar repayment clause, instead of the customary gold provision. Two interpretations can be placed on this: (1) that the banking firm wanted to be certain of getting paid in the event of war, and a transfer of a dollar balance is a lot easier than a gold shipment, since it can be accomplished by mere bookkeeping transaction; (2) that Mendelssohn & Co. is bearish on gold and bullish on the dollar, and conceives it to be possible that the American peg on gold might be dropped—in which case, gold would drop and the dollar would advance.

Dollar Becomes the Peg

Thus the dollar seems to have become absolutely supreme in international banking circles, and as time goes on, loan contracts between nations will probably be written with dollar stipulations. Indeed, during the period of weakness in the pound over the past several weeks, the French franc was linked to the dollar, rather than sterling. That carries a covert threat to the prestige of the pound.

In 1931 Great Britain left the gold standard after valiant efforts to hold on—by means of large French and American loans. This time the British monetary managers are not clinging directly to gold, but to a stable level in relation to the dollar, which is pegged to gold. But the effect is the same. And as the pound becomes increasingly infirm, it is possible that some of the Sterlingaria nations may desert the pound permanently and shift to the dollar orbit. That





would even more enfeeble the British position. Right now, including the Sterlingaria countries, the British trade position tends to balance, on export and import account. But desertions would upset that balance, make it harder to Britain to peg the pound to the dollar.

The figures on gold movements into the United States suggest what Britain is up against. In the third quarter of this year, $110,000,000 came to this country from Great Britain and was held on deposit in American banks. In other words, the funds did not come here for immediate investment, but rather merely for purposes of getting away from trouble—to escape from either war or pound depreciation.

This uncertainty regarding the future of the pound seems bound to exert a restraining influence on domestic securities markets, until business itself starts forward and gives investors and speculators something else to think about.

Metal Prices Drop

Supplies of non-ferrous materials increase, and markets reflect this situation.

IF NON-FERROUS METALS producers start curtailing production in the next few days they will have good reason. Production appears to have gotten a bit ahead of consumption in December, and the markets thus far in the new year indicate that the situation has not yet been corrected.

Worst recent shock to sentiment was Tuesday's sharp drop in copper quotations in London. This once more endangered the 11¼¢ price in the United States—a price which has for some time been close to a full cent above the export quotation.

Meanwhile, the trade isn't getting much consolation out of the December statistics. The first report, that on zinc, came out at the start of this week. It showed production at the highest level since last January, while shipments to consuming industries dropped sharply. Larger output at a time of declining use brought the first rise in stocks of zinc since last June, as will be seen in the following tabulation (data in short tons, supplied by the American Zinc Institute):

	Production	*Shipments*	*Stocks*
January	48,687	24,931	88,532
February	41,146	21,540	108,138
March	43,399	33,528	118,009
April	38,035	20,806	135,238
May	37,510	24,628	148,120
June	30,799	29,248	149,671
July	30,362	33,825	146,208
August	32,296	36,507	141,997
September ..	32,328	43,582	130,743
October	36,740	43,355	124,128
November ...	40,343	43,693	120,778
December ...	44,835	38,999	126,604

Copper statistics, released on Wednesday, were even less pleasing to the trade than those for zinc. Production in the United States far exceeded consumption, stocks of the metal rising nearly 20,000 tons to 289,755. There was a gain in accumulated supplies abroad of about 12,000 tons, indicating that both domestic and foreign producers have a problem of balancing supply and demand.

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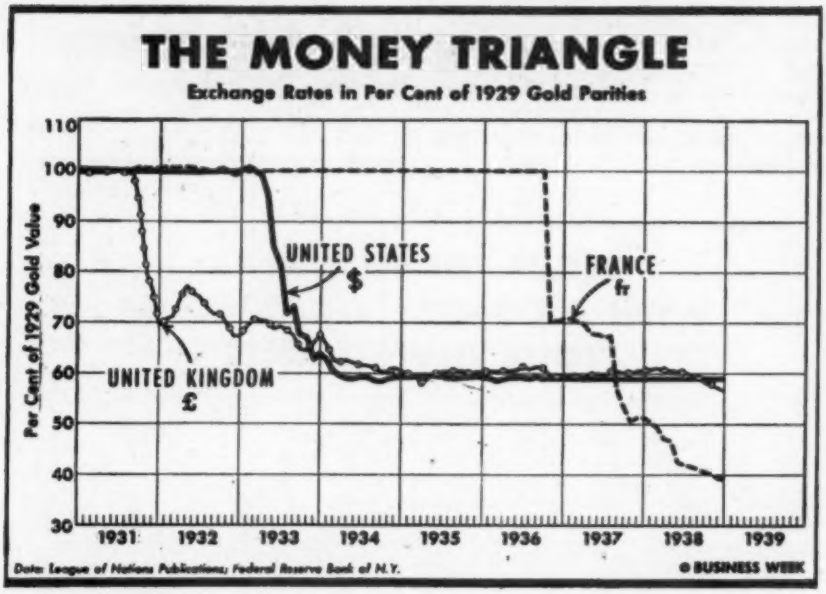
HALSEY, STUART & CO. INC.

Protect Against the **MAN OF 1000 NAMES**

Today he is John Jones, yesterday Thomas Smith, tomorrow anyone whose handwriting he copies. The forger has 1000 names because he lives by borrowing signatures.

You lose when you lend *your* signature. For your signed name, even borrowed and faked, is a key to wealth. Once on the dotted line, it releases to the forger, money, securities, merchandise . . . your own or your institution's.

Forgery insurance is important to banks, companies and individuals because it reimburses for loss that is created by the Man of 1000 Names.



Life Companies Lend

Insurance firms make loans to "small" business, taking underlying lien.

LIFE INSURANCE COMPANIES, hungry for paying investments, are expanding their activities in several directions, and their most recent tendency is to explore the field of "small" business for lending opportunities. The present indication is that worthy borrowers can get cash in amounts running from $50,000 to $1,000,000.

Reputedly the first in the field was the Equitable Life, and the Prudential is among those which have followed along. Many of the big companies, it is confidently predicted, will be at it in the immediate future.

Generally speaking, the life insurance companies want mortgage security or at least an underlying lien. They aren't supplying permanent capital. But the borrower gets the break of not having to go to the expense of registering the issue with the Securities and Exchange Commission, and there aren't any underwriting fees.

The life insurance companies don't like too long a maturity—10 to 15 years is their choice—and repayment in serial instalments is a feature of several of the loans so far concluded. Bankers can't see their way clear to tie up funds for so long a period. Many loans which aren't acceptable to banks can quite reasonably fit into a life insurance company's less liquid investment program.

Housing Attracts Companies

Life insurance companies also have become increasingly interested in the field of large-scale housing since the New York legislature a year ago amended the insurance laws as to permit them to own and operate such projects. The air now is full of talk of a campaign to get other states to put through similar amendments to widen this field of activity.

In all important respects, such large-scale building projects would follow the pattern of the Metropolitan which, last year, earmarked $100,000,000 for housing. The company at once bought a tract of land in New York's Bronx and set to work putting up a vast self-contained home-store-park unit.

FINANCIAL ANGLES

Salaried Directors

THE DAY OF the "professional director" is at hand. Chairman W. O. Douglas of the Securities and Exchange Commission has, by a speech this week, hastened a change which already was on the horizon. Mr. Douglas advocates paid directors, men who will be useful and not just ornamental on corporation boards. He wants to see them paid enough so that they will no longer be inactive yes-men, so that they will devote a good deal of their time to checking up on and helping the management. He wants them, above all, to regard themselves as trustees representing the thousands of small investors who have no voice in management. And he doesn't want them to think that they can sit on 15 or 50 boards at the same time.

Shades of Adam Smith

MR. DOUGLAS' IDEAS on how corporations ought to be directed are not as fresh as daisies. In 1776 Adam Smith had this to say about corporation affairs of his era: "The trade of a joint stock company is always managed by a court of directors. This court, indeed, is frequently subject, in many respects, to the control of a general court of proprietors. But the greater part of those proprietors seldom pretend to understand anything of the business of the company; and when the spirit of faction happens not to prevail among them, give themselves no trouble about it, but receive contentedly such half-yearly or yearly dividend as the directors think proper to make to them. . . . The directors of such companies . . . being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour. . . . Negligence and profusion, therefore, must always prevail more or less." Incidentally, the quotation suggests where Justice Brandeis possibly got the phrase "other people's money."

Reform Comes to the Curb

ONE OF THE BITTEREST fights ever to afflict the New York Curb Exchange was compromised after hours of wrangling last Monday. It climaxed weeks of uncertainty and bickering over the official slate for the Curb's board of governors under the new constitution (a constitution, modeled after the Big Board's, which was adopted only after months had been wasted over half measures). As the nominations finally turned out, five on the original slate, in the interest of harmony, declined to run. Another surprise was the withdrawal of Jerome Chester Cuppia—who had reluctantly allowed himself to be drafted for chairman—because of ill health. Clarence A. Bettman is official candidate for chairman. A paid president will be named by the new board.

Statisticians Go Arty

ATTENDANCE AT RECENT meetings of the New York chapter of the American Statistical Association has fallen short of what Broadway would call a "packed house." So in order to add B. O. (box office) appeal to its coming meeting on Jan. 18, the program committee has taken what might be called steps. To supplement speakers on the subject of "Factors in a Health Control Program," Andries Roodenburg, concert violinist, has been listed as an added attraction.

Sad Case of Silver

THERE APPARENTLY will be no end to the criticism of federal silver policy until the government puts an end to its present silver-buying program. And Handy & Harman, leading bullion brokers, predict that the government will have to give up and admit it's a bad job one of these days. For some three years the government has been trying to bring its monetary silver holdings up to 25% of the amount of its monetary gold holdings. Actually,

the goal is almost as distant now as it was in the beginning, due to the enormous flow of gold to the United States. This despite the fact that the Treasury's purchases have run its silver holdings up to nearly 2,600,000,000 oz. To come up to the intended ratio to gold, the Treasury would have to buy more than 1,100,000,000 oz. more. Handy & Harman warn that the program one day will have to be abandoned and that it's a sad prospect for the market because the United States government buying is the only thing supporting the price at 43¢ an oz.

Bank Day

TUESDAY OF THIS WEEK was open season on national bank presidents and chairmen. It was the day on which the executive officers of banks throughout the country came face to face with their stockholders to render annual reports. Not much happens at bank meetings. The president reads his report and the stockholders go home. During the depression years of '31 and '32, however, many a president was vexed with an embarrassing question from a stockholder who had not learned the proper rules of procedure—to be seen and not heard. There are other days, besides the second Tuesday in January, for bank meetings, but most of the stockholder sessions cluster on that date. Presumably, when bankers drew up their articles of association years and years ago, they never considered the possibility that one person would hold stock in two banks and therefore might want to attend two meetings.

Public Power

THE PUBLIC WORKS ADMINISTRATION some time ago cleared the way for Nebraska's "little TVA" to buy properties of one of the largest privately owned power companies in its territory—Iowa-Nebraska Light & Power—in a $22,000,000 deal. Now the Reconstruction Finance Corp. seems to have practically assured sale of a group of Texas Power & Light properties to Texas' own "little TVA." Texas Power & Light, an Electric Bond & Share property, offered some time ago to sell properties which would compete with the Lower Colorado River Authority (*BW—Sep10'38,p15*). There followed a period of haggling over terms, but it was largely academic until somebody discovered where the money was going to come from. Lone Star Stater Jesse Jones solved that—his RFC will lend $5,000,000. If the Authority will pay that much, Texas P. & L. will take it. While government agencies are smoothing the public-private power troubles, they might take up the case of the one and only real TVA and its skimpy offer for Commonwealth & Southern's Tennessee Electric Power Co. If that sale could be consummated it would eliminate the biggest single obstacle to peace between the government and the utilities.

Announcement

OF A FURTHER INCREASE IN CAPITAL

The National City Bank of Cleveland, in December last, increased its Capital Stock and Surplus to the new total of $13,000,000 shown in this statement.

Capital Stock has been increased from $7,500,000 to $9,000,000 by the sale of additional shares and Surplus has been increased from $3,250,000 to $4,000,000 by a transfer from Undivided Profits.

The present increase reflects the continuing growth of this institution since December of 1936, when the Common Capital Stock was raised to the $7,500,000 figure and all Preferred Stock was retired.

The increases in capital accomplished in 1936 and again in 1938 are two important steps in providing for the expansion of this bank's service to Cleveland and the national business community.

THE NATIONAL CITY BANK OF CLEVELAND'S OLDEST BANK 1845

THE
NATIONAL CITY BANK
OF CLEVELAND

•

Statement of Condition

DECEMBER 31, 1938

ASSETS

Cash and Due from Banks	$ 56,941,207.33
United States Government Obligations	55,965,099.42
Other Securities	17,349,415.37
Capital Stock of The National City Building Co.	2,125,000.00
Real Estate Owned	62,028.86
Loans and Discounts	33,720,297.02
Accrued Interest	457,394.36
Customers' Liability on Acceptances and Letters of Credit	2,556,538.89
Customers' Liability on Loan Commitments	1,212,996.32
Other Assets	120,668.08
	$170,510,645.65

LIABILITIES

Capital Stock	$ 9,000,000.00	
Surplus	4,000,000.00	
Undivided Profits	721,303.11	$ 13,721,303.11
Reserve for Contingencies		2,118,474.58
Accrued Interest and Expenses		37,230.99
Deferred Credits and Other Liabilities		132,371.30
Acceptances and Letters of Credit		2,556,538.89
Loan Commitments Outstanding		1,212,996.32
Corporation, Individual and Bank Deposits	$115,449,627.81	
Savings Deposits	28,569,110.05	
Trust and Public Deposits	6,712,992.60	150,731,730.46
		$170,510,645.65

NOTE: United States Government Obligations carried at $7,307,407.83 are pledged to secure trust and public deposits and for other purposes as required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

BUSINESS ABROAD

Fear New European Crises

Rome meeting of Chamberlain and Mussolini creates new nervousness in all markets. Japan fears concerted Anglo-American action in China. Washington's Latin American program unfolds.

THOUGH ALL EYES were on the historic meeting of Chamberlain and Mussolini in Rome this week, results will not be known for some time.

While Paris is convinced that Mussolini will modify his demands on France rather than risk war, there is a growing belief in many countries that Italy is determined to get something for itself in the Mediterranean soon, if Germany is to go ahead this spring with its *Drang nach Osten*. Even the French are a bit shaken now that they know there has been a secret German-Italian military alliance for some months, the full knowledge of which has been confirmed only in the last few weeks (page 47).

Nervousness was evident in all major markets while the conference was in session. There is little doubt in Europe that both France and Britain would sit by quietly if Germany confined a new spring campaign to the Ukraine or the Danube basin. That was more or less conceded at Munich as a sphere of German influence, to be developed by Berlin without interference from the Western Powers. The new fear is that Italy and Germany will make common cause over the Italian claims in the Mediterranean, and that France will not yield as Czechoslovakia was forced to do.

More moves in the Latin American program of Washington came to light this week. The diplomatic posts in both Colombia and Venezuela were raised to the rank of an embassy, and ambassadors were appointed. The Inter-American Commercial Arbitration Commission submitted its newest and most complete report on efforts to standardize commercial practices among the Pan American nations, and the Maritime Commission let it leak out that plans were already nearly completed for the building of three fast and luxurious ships for the South American service, vessels which can really compete with rivals from Europe in both speed and comfort.

U. S. Flour to China

TOKYO—American subsidized export wheat flour is finding an easy market in North China, where it enters duty free. The import duty was abolished by the Japanese at the request of Nipponese millers, but actually the Japanese have been unable to take full advantage of the tariff revision because of a poor wheat crop in Japan and lack of foreign exchange to finance imports of wheat.

Australian flour, imported in huge quantities, cornered the North China market for some time, but both Japanese and Australian flour have recently been displaced by American flour, which is flooding the Tientsin and Peiping markets. Local mills have been forced to suspend operations because of inability to compete with the lower priced American flour.

That the United States and Britain have arranged for credits to the Chinese National government is known to the man in the street in Japan, but the newspapers have been cautioned to avoid inciting comment. There are still no indications of intensified anti-British or anti-American propaganda, though the Anglo-American move is recognized as a purely political gesture to restrain Japan from monopolizing Chinese trade.

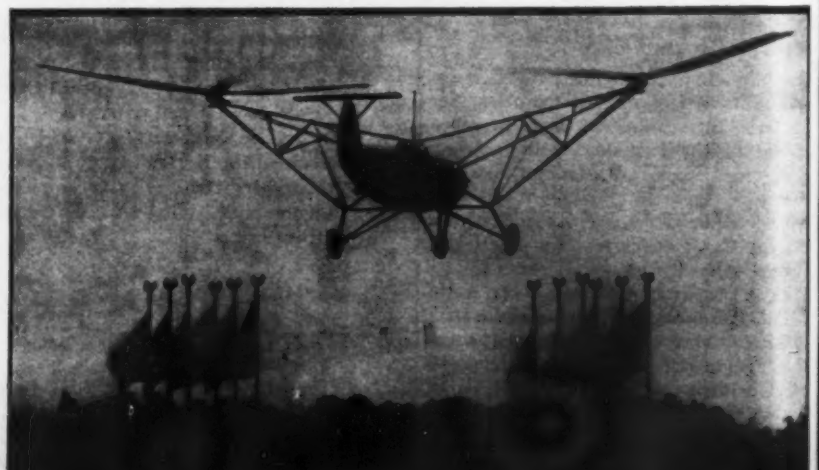
The loans are considered the first moves in a chess game, in which Japan faces two partners. Further moves are expected.

The Tokyo stock exchange reacted pessimistically to the news, and the government has postponed indefinitely the official announcement of its new "policy" with regard to the liquidation of the Sino-Japanese hostilities. Whether the Anglo-American move will cause Tokyo to moderate its demands on China is doubtful. The credits so far are not large enough to draw out the hostilities beyond Japan's financial endurance. Tokyo, however, looks for further more drastic steps. That is why officials have withheld all announcement of future plans.

British Outlook Is Gloomy

LONDON (*Cable*)—British markets were nervous all this week. Some confidence in the pound was restored by the transfer to the Exchange Equalization Fund of more than $1,500,000,000 of gold, but the

Germany Reported Experimenting with Helicopter Transport



American aviation experts have watched with interest German experiments with the helicopter shown above. Now comes the rumor that the German government has appropriated $2,000,000 for further rotary-wing research and that Focke-Achgelis is building a six-place semi-transport helicopter for Lufthansa (German air line) to use experimentally. The helicopter differs from the more familiar autogiro in that the helicopter's horizontal propellers are power-driven, while the autogiro's are not. The German helicopter can rise straight in the air, or can hover in one spot, and has been flown often in large exhibition halls.

public is worried over both the political and the foreign trade outlook (page 42). All eyes were on Rome all week, with traders holding back for some indication of the outcome of the Chamberlain-Mussolini talks.

British exporters were shocked by reports from New Zealand of the drastic cuts in imports which that government has put into effect since the beginning of the year. Cable messages this week indicate that at least 17 important items shipped regularly to New Zealand are included in the new restriction list. There is already talk of retaliation here, with some possibility that the British home market might be opened up to more United States goods.

Profits of the British Woolworth company rose last year to £6,971,141, compared with £6,490,013 in 1937. This shows that the company is holding its own in keen competition from numerous rival chains in Britain.

Some question has arisen whether or not Britain will provide the remaining £20,000,000 of the £30,000,000 loan promised to the Czechoslovakian government last fall at the time of the dismemberment of the Central European state. It is clear to all Britishers who have been in Czechoslovakia recently that the country is under Berlin's complete domination.

Most recent evidence of this is the sale of a large share of the French holdings in the Skoda works to Germans, probably indicating that the company in the future would be operated in conjunction with the great Krupp works in the Reich. Also, there is some question whether the British credit will not be forcefully taken over by German authorities who need the foreign exchange badly and who would provide the Czechs with the equivalent in local currencies—either Czech or German.

Mussolini Worries Paris

PARIS (*Wireless*)—France is nervous over the outcome of the Chamberlain-Mussolini talks in Rome, though it is generally believed in Paris that Mussolini is prepared to modify his demands on France considerably in return for a promise of reduced rates through the Suez Canal (the governing board of the Canal is largely French), the yielding of considerable authority and control to Italy in French Somaliland and in the French-controlled railroad to Addis Ababa in Ethiopia.

The Italians, on the other hand, are known now to have made a military alliance with Germany before the Munich conference last summer, the details of which have been developed since that time, and this may give Mussolini the courage to put aggressive pressure behind his demands for colonial concessions in the Mediterranean. This surely would precipitate an Italo-French crisis of the sort which could set off this spring the war which every European fears.

The short-term outlook in France continues to be relatively bright. The franc is strong, though it is significant that the Dutch loan to the French railroads was renewed this week only after the Amsterdam bankers had written into the new contract the provision that repayment would be in dollars instead of gold (page 42), indicating a dwindling confidence in gold and soaring confidence in the dollar.

Totalitarian Siberia

Moscow (*Cable*)—The Soviet Union made two more moves this week to tighten up its economy, in ways which will boost the third Five-Year Plan or prepare the country for war if that becomes necessary because of attack by either by Germany or Japan.

The first decree is planned to help make the Soviet Far East independent of European Russia for supplies in time of trouble, to relieve the Transsiberian railroad from unnecessary food shipments, and to enable European Russia to utilize more of its crops at home. The new decree demands that 1,250,000 acres of virgin land be brought under cultivation by 1941, that farmers in the Siberian Far East be exempted from tax payments until 1942, and that the government's agricultural experiment stations in that part of the world intensify their efforts to find more frost-resisting types of wheat which can be grown in the short summer of the Arctic.

The second decree is aimed at executives who fail to report lax discipline on the part of their employees, and provides for criminal punishment if this laxness is not ended. The cost of tardiness to the country was dramatically illustrated to the workers of the Leningrad Metallurgical Works by showing that the plant could have built one more giant steam turbine last year on the time lost in tardiness.

The authorities admitted that at least a part of the blame for tardiness should be placed on the railroads which have fallen behind even on their commuter schedules, and have demanded that traffic officials improve their service or be subject to the same heavy penalties as other workers.

Labor Shortage Hits Railroads

BERLIN (*Cable*)—An unexpected problem has developed in Germany: the railroads are finding it impossible to keep up with the demands of business, especially because of the extension of service to Austria and the Sudetenland.

For more than a month now, stocks of coal have been piling up at the pitheads because of a shortage of men to produce additional rolling stock and handle the movement of freight. This week, work in factories in both Austria and Germany was interrupted because of the shortage of coal.

All German girls will continue to give a year to farm or household service in an effort to free more men for heavier work in factories, and large numbers of Italian farm hands and building workers will be imported to alleviate the labor shortage.

The feeling is growing here that Germany is preparing for a campaign this spring to create an autonomous Ukraine in Poland and Ruthenia, and it is stirring up some fear that the drive will not stop in this region and that trouble will develop involving the Soviet Union. The time set for this adventure is still believed to be March.

While all official sources in Berlin deny every rumor that "White" Russian émigrés—officials and landed gentry from Czarist Russia—are being used by Nazi authorities in developing their schemes for creating an autonomous Ukrainian state, it is a fact that some Ukrainian emigrants living in Berlin and Prague have left for Carpatho-Ruthenia with financial assistance from Berlin. Look for the appearance of a vigorous "self-determination" demand from the Polish and Ruthenian regions in the next few months which will work very much in the way the Henlein crowd carried on their campaign in the Sudeten section of Czechoslovakia. The difference is that the Ukrainians will campaign for an autonomous state rather than annexation with Germany. There is no question, however, of the new state coming under Reich domination, just as Czechoslovakia has been since Munich.

Marconi May Change

Canadian wireless company ends contract with Canadian National Telegraphs; may set up own service in Dominion.

OTTAWA—Important changes in the communications field in Canada may take place by the end of January. The Canadian Marconi Co., which handles overseas business, has served notice on Canadian National Telegraphs that it will discontinue its contract with the CNT at the end of January. This contract provided for the pickup and delivery in Canada by CNT of all Marconi business.

Many Canadians believe that Marconi may be planning to go into the domestic business. This would require the establishment of offices throughout the Dominion but very little additional wireless equipment than is already installed for the overseas business. The Marconi crowd already is licensed to set up business domestically, though government officials are known to oppose further duplication of services with Canadian National and Canadian Pacific telegraph services.

Others believe that Marconi interests are preparing to make a new contract with Canadian Pacific at terms more

favorable than could be obtained from CNT. The situation presumably will be cleared up by Jan. 31 when the present contract with CNT expires.

The Royal Commission on Transport, appointed to investigate bus and truck operations in Ontario, has recommended that a three-man transport board be appointed with authority to deal with the probiems of Ontario's $130,000,000 motor transport industry. The commission proposes stricter regulation of wages, working hours, and working conditions in the motor transport business, and numerous new laws aimed at greater protection for the public and transportation interests. If the recommendations are carried out, the railroads would benefit from lessened competition on the part of motor transport.

British Building Boomerang

Cabdriver's wife scares rich building societies by refusing to pay mortgage interest, charging fraud. Some others follow her example.

LONDON (*Business Week Bureau*)—Mrs. Elsy Florence Eva Borders of Kingsway, West Wickham, Kent, has Britain's rich and powerful building societies in a very tight corner, the whole British building industry in a mild flurry, and a mass of new home owners threatening to strike against frightened mortgage holders.

Mrs. Borders is a modest little woman, the wife of a taxi driver, but she is extremely intelligent and can be plenty tough when she faces a court on an issue in which she thinks she has bee wronged.

Mrs. Borders was certain she had been wronged when sued by the Bradford Third Equitable Building Society (one of the "Big 10") for three months' arrears on the monthly interest and amortization charges due the building society on a loan of about $3,465 which was secured by her home. She not only denied the claim in the witness box, but counter-claimed damages, alleging that she had been "wilfully and fraudulently misled" by the building society into the belief that the house she had bought was good security for the money advanced. Actually, she had found that the walls of every room were damp, the roof leaked, that it was structurally unsound, the doors would not shut, the windows would not open, the woodwork was "alive" with small insects (they did not bite but their presence was not pleasant), the electric wires were misplaced, there were serious cracks in the walls, and plaster around the doors and windows continually fell away in a fine dust. She claimed it would cost at least $2,500 to make the place habitable.

Brochure's Statement Cited

Mr. Borders, the taxi driver, ably supported his wife on the witness stand by implying that the contractor who had put up the house and the building society which had helped finance its sale were running a racket. Before a startled court, he waved the builders' brochure which stated reassuringly that the fact that the building society was willing to advance 95% of the purchase money "was proof of the amazing value of the house." (Building societies are the nearest equivalent in Britain to our building and loan associations, and have had, until the recent flurry arose over some of Britain's jerrybuilt "boom housing" which a few of them have financed in the last five years, an enviable reputation for security and integrity.)

Societies Watch Case

The suit against Mrs. Borders has not been decided yet. In the meantime, the building societies, with a record of about $3,000,000,000 of mortgages outstanding in spite of the decline in new business since 1936, are nervously awaiting the outcome of the case in the lower courts. If they lose, they have hinted broadly that they will carry the case "to the House of Lords, if necessary." No serious mortgage strike has developed yet, but there has been a mild wave of refusals to meet mortgage payments, and the wide publicity which the Borders case has received has indicated to many disgruntled owners of Britain's boom houses the strength of their case against the builder and the mortgage holder.

Since the World War, 3,300,000 new houses have been built in Britain, more than half of them in the last 6½ years. Over a million of the houses constructed in this recent boom period were built without the aid of a government subsidy.

Genesis of Movement

The depression started Britain's housing boom. Building costs fell faster than wages, and middle-class England decided to grasp the opportunity to build its own homes. Speculative builders, and the building societies with the vast funds which they couldn't profitably invest in depressed industry, offered their assistance. The builders bought suburban areas, subdivided them, and put up small, modern houses. The building societies assisted the would-be purchaser to buy these houses by deferred payments. Since 1933, the societies have been in the habit of advancing from 75% to 95% of the building price of the houses (the purchaser putting up the remainder and the whole price of the land) on mortgages running up to 30 years with interest as low as 4½%. The average loan has amounted to about $2,500.

So long as there were tiled bathrooms, stainless kitchen sinks, and installed re-

Nazi Propaganda Takes to the Road

As part of the propaganda for the German Four-Year Plan, an expedition of eight great trucks, whose sides open up to form the walls and roof of an exposition hall, has been outfitted in Berlin for a tour of Austria. The exhibit, featuring German industrial products and methods, can be assembled in 12 hours and viewed by 10,000 people in another 12 hours.

frigerators, purchasers forgot to examine foundations, wiring, and plumbing. Like Mrs. Borders, some of them are now beginning to protest vigorously.

The National Housebuilders Registration Council was formed by a group of prominent speculative builders a few years ago to enforce certain technical standards but, though it is still in existence, it is admittedly a flop.

Groups of outraged and disillusioned new home owners have banded together to form house purchasers' protection associations. Skirmishes with the speculative builders have generally followed. But as the building boom began to wane at the end of 1937, many of the smaller speculative builders (to whom, probably, a large proportion of the trouble has been due) began closing down on their activities, so that purchasers have found them more and more difficult to attack.

Warns Against "Self-Injury"

One speculative builder, at least, has hit upon an ingenious plan to avoid trouble. He formed a "club" among his purchasers, of which he himself was an officer. He called a club meeting and proceeded to point out that by taking any action along the lines they contemplated, his customers would merely injure themselves by depreciating the value of their own property. This kind of argument is likely to be employed increasingly.

Americans will find three special points of interest in the situation:

(1) While a good share of the British construction will meet long-term standards, an inexcusable amount of the work—particularly in the lower-cost projects—was shoddy and has reacted on the industry, and particularly on the mortgage holders. Some of the building societies are genuinely alarmed over the prospect of a mortgage strike which will throw back on them many mortgages for which the shoddy houses offer entirely inadequate security.

(2) British building societies are reported to be considering loans in the United States market because of the pickup in building there, and because of the "unfavorable" outlook at home.

Work Undertaken in U. S.

(3) At least two speculative builders have expanded their activities to the United States where, in both California and New York, they are applying the experience in mass building learned in Britain. This competition from British builders may help stimulate similar development in the United States. If it does, the United States should be warned from the British experience to supervise all building and financing carefully. The British builders who have been first to go to the United States have a good record in Britain, but if they prosper in their new venture, some less responsible speculators may work into the field.

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Japs and U. S. Lumber

Pacific Northwest exporters will lose trade with Japan and parts of China.

Lumber exporters in the Pacific Northwest were notified last week that in the future all business which they have customarily handled between Coast sawmills and Japan and Japanese-dominated China will be monopolized by Japanese traders with offices in Seattle, Vancouver, Portland, and other important lumber centers (*BW—Oct22'38,p44*).

Capitalized at ¥52,000,000 (about $14,000,000), the American Importers Association has been organized in Tokyo and will comprise Mitsui, Mitsubishi, Yamacho and Tamura companies. This development represents an extension of the new Japanese policy of stressing Japanese control over trans-Pacific trade wherever possible (*BW—Dec3'38,p14*).

American and Canadian exporters, shipping organizations, and distributors are likely to suffer heavy losses as a result of the new set-up which makes competition with Japanese agents virtually impossible except in three classifications—logs for box-making, airplane spruce lumber, and pulp logs.

American and Canadian ship executives, who have seen years when Japanese and Chinese lumber purchases were worth many millions of dollars and who hoped that ultimate settlement of the Sino-Japanese war would lead to a resumption of the business on a vast scale, fear that under the new Tokyo trading policy the tendency will be to divert as much as possible of the lumber to Japanese shipping lines.

FOREIGN ANGLES

New Label Law

Buenos Aires—The Argentine is tightening its labelling restrictions. A new law prohibits the use of "puro" and "pura" on foodstuffs unless special permission is granted.

New Zealand Slashes Imports

Wellington—The New Zealand government has made it plain to importers that it intends to curb imports drastically under the new trade control law which came into effect on Jan. 3. All Japanese trade appears to be barred, possibly in retaliation for the Jap refusal to buy New Zealand wool. Most imports were reduced 20% to 80%. Apparently the quota on automobiles from the United States has not been changed, but hardware imports are reduced 66%, and metal goods 79%. Despite empire ties, imports of some British products which compete with local manufactures are cut 50%.

Pan American Wins

Rio de Janeiro—Pan American Airways has just won, in competition with French and German companies, a contract to establish a network of air services in Minas Gereas, a province almost as large as Texas and with the largest population of any of the Brazilian states. It is north and west of Rio, provides practically all of the fresh fruit, vegetable, and dairy needs of the capital, and is still famous for its gold and diamond mines. The new service will connect with Pan American's Miami to Buenos Aires service at Rio.

Yen Sticks to Pound

Tokyo—Rumors that the Japanese government will hitch the yen again to the dollar are dismissed here as groundless. Japan finds it harder to sell now in the countries with dollar-linked currencies, but this is compensated by lower prices of raw materials in the sterling bloc. This means less competition for Americans from Japanese manufactured goods in the Philippines and South America, but also a shifting of Japanese patronage to the cheaper sterling raw material markets.

Natural Gas for Venezuela

The Royal Dutch-Shell oil interests have just announced that they have started construction of a pipe line to carry natural gas to Maracaibo, Venezuela's largest city and one of the country's major ports. Exporters of gas appliances, take notice.

Germany Buys More

Buenos Aires—In these foreign trade figures just released by the Argentine government—showing the fall in exports to the United States and the rise in shipments to Germany—is the explanation why United States business is worried over its trade outlook in Argentina in 1939:

	Imports from: (*per cent of the total*)		*Exports to:*	
	1937	*1938*	*1937*	*1938*
Great Britain...	19.0	18.3	28.4	31.3
United States...	16.5	17.9	13.2	7.6
Germany	10.4	10.1	6.6	11.9
Italy	5.5	5.8	6.5	2.5
Belgium	6.3	5.1	9.4	6.7

Japs Fear Competition

Tokyo—Rumors have cropped up in Japan that the Department of Commerce and Industry is actively opposing the plan to set up a large-scale motor plant in Manchukuo on the ground that it is bound to compete with the automotive industry in Japan, which is looking forward to the development of the continental market after the hostilities are ended in China. Other heavy industries have raised objections to the building of competing industries in the new empire.

EDITORIALLY SPEAKING

"Business"?

READER D. L. CARR writes from Erie about the cover on the Dec. 31 issue: he "couldn't help but notice that all the television men were 'be-moustached'." Wants to know whether this is "to differentiate R.C.A. men from other 'televisioned gentlemen'—or is it just one of those things?"

Gosh—I don't know! This television thing is pretty deep stuff. There may be some occult connection between those moustaches and the new "art form." Or maybe they're just "business," which the glossary on page 22 of that issue defines as "anything in television for which a technical designation is lacking or forgotten by the speaker." The glossary goes on to say, however, that the term is "badly over-worked." So perhaps—oh well, write your own ticket!

Dixie Roll-Call

A PROPOS the recent roll-call of Patterson alumni, John F. McMahon, of Pittsburgh, has heard it rumored that Atlantic Steel Co., of Atlanta, rates high as an "alma mater" for steel executives. They say, he reports, that the iron and steel industry is rich in top flight executives who got their start in Dixie. Any nominations?

Defense

A NEW YORK READER writes to endorse and second BUSINESS WEEK's editorial on "National Defense" in the Dec. 17 issue:

"Just how much rearmament is needed," he concedes, "we laymen cannot judge, but such money as is spent should certainly be expended as determined by military experts, rather than where it will make the greatest show. Those of us who were in the A.E.F. remember the chaos that resulted from trying to equip our army. I had it brought home even more strongly while I was brigaded with the British, for I heard many bitter comments from younger brothers of those who had sacrificed their lives in the early days of the war, when they were forced to match a well-equipped enemy with nothing much but courage. If we have military problems to meet, America should be sold on the need for making our expenditures intelligently."

And, he might have added, not planned with an eye to their domestic political effects. This may be a counsel of perfection, but the more Americans there are who can remember back twenty years and who make themselves heard, the more chance there is for defensive preparedness as distinct from political preparedness. For they will recognize that *next* time we may not have a sheltered year-and-a-half to get ready for war after we get into it.

Bust It

YEARS AGO, so runs the yarn, two trains bumped at a grade crossing somewhere out West. The state legislature decided that something ought to be done about it. So they passed a law which provided that "whenever two railroad trains shall approach each other on intersecting tracks, both trains shall stop short of the intersection and neither shall proceed until the other has passed."

After reading some of the controversies of recent weeks on government fiscal policies, I can't help but feel that the spokesmen for both sides have got themselves into somewhat the same fix.

The "government spenders" contend that when private investment bogs down, the government must use its credit to do enough spending to make up for the deficiency; and that this must continue until private enterprise has resumed its normal rate of investment. So they say: "We can't stop spending on the government account until you resume spending on private account."

But the "budget balancers" hold that private enterprise should not and will not incur the risks of expanding its investments so long as it is faced by the menace of what President Roosevelt once called "loose fiscal policy." So *they* say: "We can't start spending on private account until you stop spending on government account." And there you are.

To most of us, concerned only with breaking the jam, it looks as though these parties should be able to get together on some kind of a deal that would do just that. Surely there must be some formula by which to bridge such a gap. It's being done every day both in business and in politics: why can't it be done between business and politics?

If we assume, for the moment, that the "spenders" are right, that they dare not stop their spending until private enterprise is more active, cannot someone on their side do something to remove some of the doubt and distrust that hold back private enterprise? If he has a mind to, Harry Hopkins in his new rôle might be able to make a substantial contribution to this end. And Congress now is in position to help a lot, if it will fix its mind for a little while on long-term values rather than short-term politics.

Everyone concerned seems to recognize that sooner or later this jam must be busted—or else. And it looks as though we have right now the best chance to bust it that has opened up for some time. Here's hoping! **W.T.C.**

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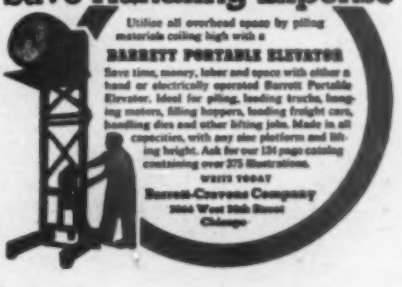

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BUSINESS WEEK

The Journal of Business News and Interpretation

January 14, 1939

A Message to Business

THE SIGNIFICANCE of an annual message of the President of the United States cannot, of course, be limited to its import in terms of business alone. But the President's attitude toward business is so essential a part of his national policy that appraisals of the 1939 message in those terms are inevitable. Some have appeared in the daily press; some have been offered by readers. Most of them remark on the absence this year of the jibes at business that have spotted previous Presidential reports on the state of the nation. A few underlined paragraphs that seemed to hint at political concessions to business opinion on disputed New Deal laws. Attention is directed to evidence that Mr. Roosevelt has been moved by the November election returns.

THE MOST HARD-BOILED JOB of fitting the implications of this message into the business outlook will find justification for much comment of this type. But whatever one thought that he heard over the air, a careful reading of the President's address reveals no evidence for a belief that he concedes the need of any fundamental change in the reform legislation of the past six years. Not only have we "forged national instruments adequate to meet" our "deep-seated problems," but "never have there been six years of such far-flung internal preparedness in our history." If the election prompted the reference to a need of "machining down" some of the instruments, it has not weakened Mr. Roosevelt's confidence that "the American people, as a whole, have accepted them." His forthright words make it difficult to read in what he has said any new respect for business, or to give his admission of legislative shortcomings, anything like the weight behind his claims of achievement.

At those points where the President accorded to the platform of business anything more than the broadest recognition, he certainly was not specifically encouraging. For instance, the most explicit reference to employer's worries about the labor situation under the New Deal came in his recommendation for "the perfecting of labor organization and a universally ungrudging attitude by employers toward the labor movement until there is a minimum of interruption of production and employment because of disputes." In this, as in other apparent concessions, it is not easy to see any genuine change of heart.

It will not suffice to answer that it is too much to expect an astute politician to admit a setback. In the careful wording of the message, there is far more evidence to justify the consistent judgment of astute business men, that although the President may tack a bit when unfavorable winds spring up, he does not change his course. If 1939 heralds any change at all, it is but an increasing reliance on public spending rather than on business cooperation, to produce a national income that will spell recovery (page 17).

IT IS EVIDENT that those who are not content with the Roosevelt course must look once again, as in previous years, to Congress. The President himself, in obviously baiting tones, has challenged Congress to effect economies if it can. Now it is up to those who think that Congress can do that to show their willingness to cooperate with the new spirit of independence in the national legislature. Strongest of all the implications of the message, perhaps, was that which pointed to a choice between the road indicated by presidential advisers such as Mr. Eccles, and that laid down by the European dictators. But that, in fact, is *not* our only choice: neither can the President make it our only choice by the simple device of invoking national unity against those foreign threats on which he dwells so feelingly.

To deal in generalities, as the President did in his message, is to oversimplify the job. Despite his easy assurance, he is finding it no simple task to spend our way to recovery. Social appeals or skillful rhetoric may make that course appear simpler and less painful than that of adjusting our national policy to remove the present checks on private enterprise and to restore to business the ability to take its natural part in the national economy. But it is this last course, so studiously evaded by the President, that appeals most strongly to the instincts of the American people. And this is the choice that they are looking to Congress to make in their behalf.

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